Sword Group
2018 Financial Report
(FREE TRANSLATION OF THE ORIGINAL REPORT IN FRENCH)

2,000+ employees as at 31/12/2018

18 countries

2018 revenue: €171.4m*

EBITDA: 11.8%*

* Applying IFRS 5 and 15, so excluding Apak business for 2018

MAZARS

To the Shareholders of
SWORD GROUP S.E.
Société européenne

R.C.S. Luxembourg B 168.244

2-4, rue d'Arlon
L-8399 WINDHOF

AUDITOR'S REPORT RELATED TO THE AGREEED UPON PROCEDURES PERFORMED ON THE TRANSLATED CONSOLIDATED FINANCIAL STATEMENTS AND STATUTORY FINANCIAL STATEMENTS

We have performed the procedures agreed with you and enumerated below with respect to the translated consolidated financial statements prepared under IFRS as adopted by the European Union and statutory financial statements prepared in accordance with Luxembourg legal and regulatory requirements of Sword Group S.E. as at 31 December 2018, set forth in the accompanying schedules. Our engagement was undertaken in accordance with the International Standard on Related Services applicable to agreed-upon procedures engagements. The procedures were performed solely to assist you in evaluating the validity of the translated consolidated financial statements prepared under IFRS as adopted by the European Union and statutory financial statements prepared in accordance with Luxembourg legal and regulatory requirements for the year ended 31 December 2018 and are summarized as follows:

1. We obtained and read the free translation from French to English of the consolidated financial statements prepared under IFRS as adopted by European Union and the statutory financial statements prepared in accordance with Luxembourg legal and regulatory requirements, and we identified the discrepancies which could be misleading for the users of these financial statements.

2. We suggested a wording deemed more appropriate in the circumstances.

3. We checked the final translation based on our comments.

We report our findings below:
With respect to item 1, 2 and 3 we find the Sword Group 2018 financial report to be consistent with the original French version.

We remind you, in accordance with our engagement terms, that in case of any discrepancy which may be noted between the English translation and the French original version, only the French original version shall be considered the legal binding document on which our audit opinions have been signed.

Because the above procedures do not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements, we do not express any assurance on the translated consolidated financial statements prepared under IFRS as adopted by the European Union and statutory financial statements prepared in accordance with Luxembourg legal and regulatory requirements for the year ended 31 December 2018. Had we performed additional procedures or had we performed an audit or review of the financial statements in accordance with International Standards on Auditing or International Standards on Review Engagements, other matters might have come to our attention that would have been reported to you.

Our report is solely for the purpose set forth in the first paragraph of this report and for your information and is not to be used for any other purpose or to be distributed to any other parties.

Luxembourg, 2 July 2019

For MAZARS LUXEMBOURG, Cabinet de révision agréé
5, Rue J. Guillaume Kroll
L-1882 Luxembourg

Olivier BIREN
Réviseur d'entreprises agréé

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1 STATEMENT BY THE PERSONS IN CHARGE OF THE 2018 FINANCIAL REPORT

Pursuant to Article 3 (2) c) of the Law of 11 January 2008 on transparency requirements for information about issuers whose securities are admitted to trading on a regulated market, as amended, we declare that these financial statements were prepared in accordance with applicable accounting standards and that they, to the best of our knowledge, give a true and fair view of the assets and financial position of Sword Group SE ("the Company") as at 31 December 2018 and of the results of its operations for the year then ended, and a description of the main risks and uncertainties facing the Company. The management report, to the best of our knowledge, presents truly and fairly the development, results and financial position of the Company.

Windhof, 28 March 2019

Jacques Mottard
Executive Chairman

2 *RÉVISEUR D'ENTREPRISES AGRÉÉ* (STATUTORY AUDITOR)

The statutory auditor is Mazars Luxembourg S.A., having its head office at 10a, rue Henri M. Schnadt, LU-2530 Luxembourg, appointed on an annual basis by the Ordinary General Meeting held on 3 May 2013, renewed by the Ordinary and Extraordinary General Meeting held on 27 April 2018 for a term expiring at the General Meeting called to approve the financial statements ended 31 December 2018 (its renewal will be proposed at the General Meeting on 29 April 2019).

3 CORPORATE BODIES

Board of Directors

Jacques Mottard, Executive Chairman and Director

François Barbier, Independent Director

Frédéric Goosse, Director and General Manager

Nicolas Mottard, Director

François-Régis Ory, Independent Director

PACBO Europe, Administration et Conseil S.à r.L. (represented by Patrice Crochet), Independent Director

4 COMPANY INFORMATION

Sword Group SE is a European company (*Societas Europaea*, or SE) having its headquarters at 2-4 Rue d'Arlon, 8399 Windhof, Luxembourg.

The purpose of the Company is to acquire stakes and interests, taking any form whatsoever, in any commercial, industrial or financial company, economic interest grouping (EIG) or other organisation, whether governed by Luxembourg or foreign law.

The Company was established on 22 June 2001. Under Article 5 of the Memorandum and Articles of Association, the Company will operate for an unlimited period.

Its shares are listed on the Euronext Paris exchange under ISIN reference FR0004180578.

5 SELECTED FINANCIAL INFORMATION

Consolidated financial statements:

In thousands of €	As at 31/12/2018*	As at 31/12/2017*	As at 31/12/2016
Revenue	171,412	144,424	160,157
EBITDA	20,145	16,967	24,904
Profit for the year	86,405	10,945	10,816
Non-current assets	82,424	120,126	121,842
Cash and cash equivalents	112,929	38,479	46,196
Consolidated equity	148,877	143,040	152,168
Balance-sheet total	268,115	223,946	229,948

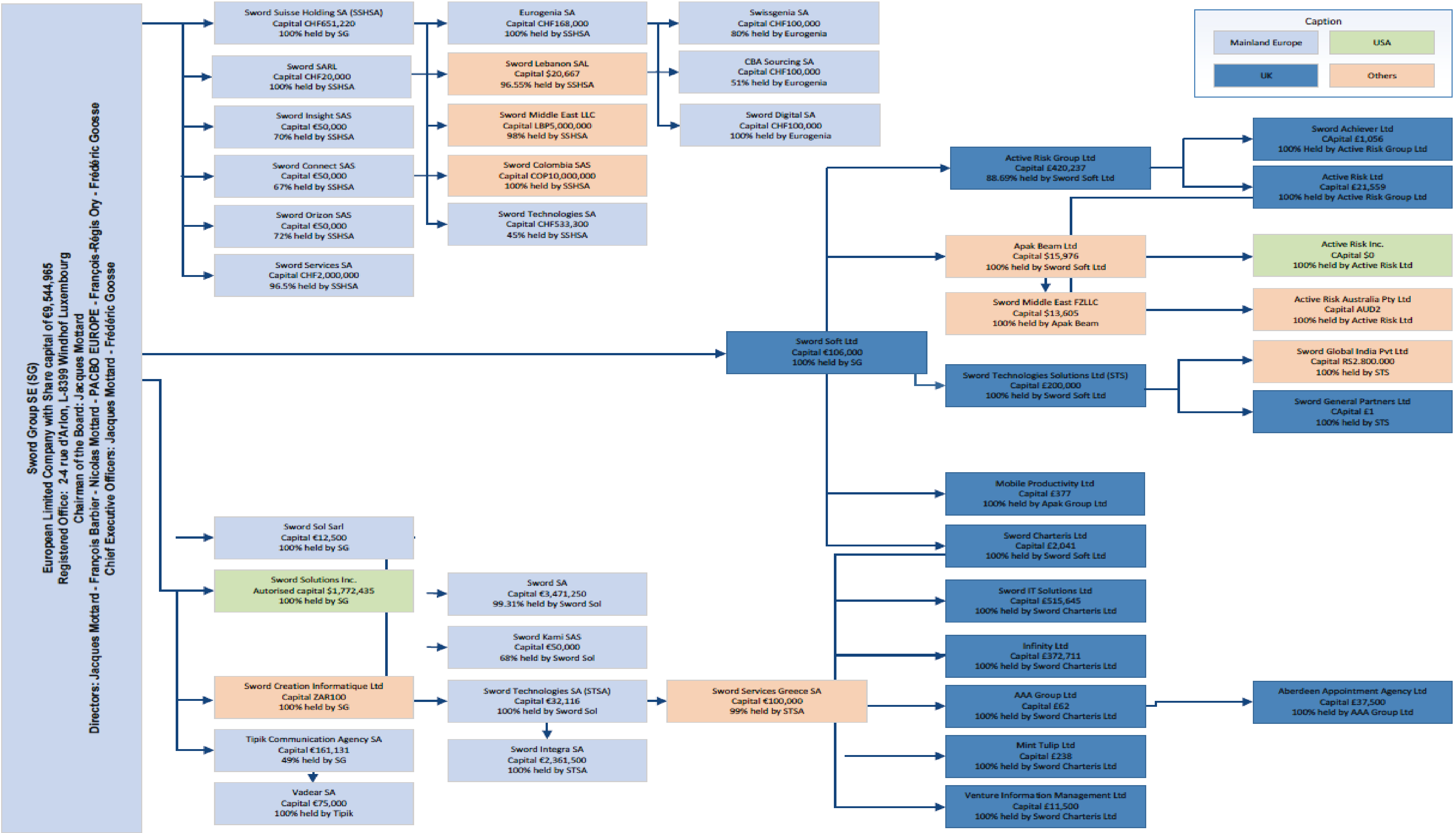
Statutory financial statements:

In thousands of €	As at 31/12/2018*	As at 31/12/2017*	As at 31/12/2016
Revenue and other operating income	7,746	3,502	2,808
Operating profit	23	482	-1,858
Profit or loss	46,353	-2,778	4,543
Non-current assets	212,927	210,618	208,477
Cash and marketable securities	12,266	12,428	19,804
Equity	223,805	223,210	235,691
Balance-sheet total	248,602	241,264	255,008

* The figures presented in the tables above arise from the application of IFRS 5 and 15.

6 GROUP ORGANISATION CHART

AS AT 31/12/2018:



7 OVERVIEW OF ACTIVITIES

OUR GROUP

Sword Group is an international consulting, services and software company assisting global leaders with their technological and digital transformation programmes.

Founded in June 2001, the Group, which now has more than 2,000 employees operating in over 50 countries, offers its customers a comprehensive and integrated portfolio of solutions from strategic approach to execution.

Sword takes an information systems approach and leverages powerful project management methodologies to deliver innovative solutions that address its customers' strategic challenges and their need to upgrade their information systems.

To this end, Sword has developed an industrialised production model organised around specialist service centres providing its customers with local services, high-value-added know-how, high production capacity and optimised economic approaches.

Our business comprises two divisions:

- **Services:** organised into competence centres, accounting for 77% of the Group's revenue;
- **Software:** accounting for 23% of the Group's revenue (Apak is included in this figure).

OUR MARKETS

Sword's range of services is designed for the local and international operations of all key accounts and public institutions. With its technological and methodological expertise, Sword is a market leader in a number of countries.

Sword has developed unique expertise in various targeted markets:

- ✓ Banking and Insurance
- ✓ Legal
- ✓ Luxury Goods and Services
- ✓ Healthcare
- ✓ Public Sector
- ✓ Sport
- ✓ Transport
- ✓ European Union

In these markets Sword is a day-to-day partner for these organisations across its entire range of services, providing them with support for their IT strategy and key operational issues.
As a rule of thumb, Sword operates in highly regulated markets where knowledge of current regulations is critical.

OUR RANGE OF SERVICES

As a systems integrator and consultancy, Sword offers a range of specialised, high-added-value solutions and services. We combine an understanding of our customers' businesses with market knowledge and technical expertise to develop competitive advantages for our customers.

Sword's range of services is built around various technology niches:

- Content Services (CS) – electronic documents, document management and workflow, DTP;
- Leveraging information – enterprise portal deployment, web content management, process management, collaborative work, enterprise social networking, customer relationship management, information retrieval, repository management, natural language processing;
- EAI/ESB: interconnection and interoperability of information systems – process organisation and synchronisation;
- Geographic Information Systems (GIS) – integrating the cartographic dimension into information systems;
- Business Intelligence (BI) – deployment of decision-making systems for managing and analysing enterprise data;
- Management consulting, IT strategy consulting, project management, quality assurance and testing, digital marketing and CRM, and information systems performance engineering;
- Specific and business intranet development – healthcare, nuclear energy, pharmaceuticals and industry;
- Development of web and mobile applications;
- Infrastructure and the cloud;
- Cybersecurity.

OUR SOFTWARE

Sword provides scalable, complete and customised software products. It can collaborate with customers in SaaS mode, offering user-friendly software solutions that can be rolled out quickly.
Our collaborative tools are used by a host of customers and on highly regulated markets.

Sword offers two ranges of software:

Sword Achiever/Sword Active Risk Governance, compliance and Enterprise Risk Management (ERM) software
Sword Intellect Intellectual property rights management software

Products from R&D are being marketed but are not generating significant revenue as yet.

Sword Bizdock Project portfolio management software
Sword Citizen Software enhancing community management for the benefit of users
Sword Insight Software addressing past and future issues
Sword Kami DTP document template design software
Sword Orizon Secure telemedicine software for coordinating care and sharing details of such care

8 CORPORATE SOCIAL RESPONSIBILITY

Following the recent revision in December 2017 of the X Principles of Corporate Governance of the Luxembourg Stock Exchange, Sword Group has adopted the new principle on corporate social responsibility (CSR), covering social and environmental matters.

Since 2011, Sword Group has been a signatory to the Ten Principles of the United Nations (Global Compact), relating to human rights and labour, the environment and corruption.

By joining, the Company was keen to show it was a socially responsible stakeholder in the global economy.

Sword chose the UN Global Compact as it provides a globally recognised framework as well as sustainability,and therefore the Group has ensured compliance with the 10 principles set out there ever since.

Human Rights
Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and
Principle 2: make sure that they are not complicit in human rights abuses.

Labour
Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
Principle 4: the elimination of all forms of forced and compulsory labour;
Principle 5: the effective abolition of child labour; and
Principle 6: eliminate discrimination in respect of employment and occupation.

Environment
Principle 7: Businesses should support a precautionary approach to environmental challenges;
Principle 8: undertake initiatives to promote greater environmental responsibility; and
Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption
Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

9 CORPORATE GOVERNANCE

Governance

The Board of Directors' meeting on 11 April 2012 resolved:

- to adhere voluntarily to the Ten Principles of Corporate Governance of the Luxembourg Stock Exchange;
- to reappoint the previous Audit Committee, namely:
    - Mr François-Régis Ory, Independent Director and Chairman of the Audit Committee; and
    - Mr François Barbier, Independent Director.

"Following the transfer of the Company's registered office to the Grand Duchy of Luxembourg at the General Meeting held on 26 March 2012, the Board of Directors of Sword Group adopted this Governance Charter on 28 August 2012. The Charter presents the governance framework for the activities of Sword Group, pursuant to the Ten Principles of Corporate Governance of the Luxembourg Stock Exchange which the Company subscribed to voluntarily with the exception of certain principles mentioned in this charter. Its aim is to clarify the powers and responsibilities of the different entities that comprise the governance of Sword Group.

This Governance Charter complements the following existing documents:

- an administrative handbook that specifies all the internal monitoring/control procedures, a welcome booklet for each member of staff, specifying their rights, their duties and their place in relation to the way in which Sword Group operates;
- a manual of the IFRS accounting principles, drafted by an independent firm [and currently being updated (ed.)];
- a technical handbook for each country that includes the quality standards in force (CMM, ISO or ISOPro method);
- an ethical charter that was approved by the Sword Group Board of Directors on 20 December 2010."

At its meeting on 6 November 2014, the Board of Directors updated the Governance Charter following the update of the Ten Principles of Corporate Governance of the Luxembourg Stock Exchange in 2013.

Following the latest revision of the Ten Principles of Corporate Governance, now known as the 'X Principles of Corporate Governance', that was launched by the Luxembourg Stock Exchange in December 2017, the Governance Charter is currently being reviewed by the Board of Directors and is expected to be amended accordingly in 2019.

The Charter is regularly updated based on changes in the governance of Sword Group as well as legislative and regulatory developments. It is available on the Sword Group website.

As at 31 December 2018, the Governance Charter read as follows:

I - Structure and Organisation of the Company and the Group

Sword Group is organised to be responsive while maintaining all the legal structures required to ensure consistent control and management. The role of the following major management structures is detailed below.

The Management Structures

The Board of Directors

Composition

The Memorandum and Articles of Association of Sword Group provide for a Board of Directors which shall have a minimum of three members and a maximum of eighteen members, except when the temporary derogation provided for mergers applies, appointed for a maximum duration of four years. The Board of Directors comprises competent and well-informed persons who have been chosen based on the specific features of the Company and its activities. As at 31 December 2018, it comprised six persons: Jacques Mottard, François Barbier, Frédéric Goosse, Nicolas Mottard, François-Régis Ory and PACBO Europe (represented by Patrice Crochet).

In compliance with the recommendations set out by the Luxembourg Stock Exchange, 50% of the Board of Directors are "Independent Directors", namely François Barbier, François-Régis Ory and PACBO Europe (represented by Patrice Crochet). Moreover, none of the above Directors have a significant holding in the share capital of the clients or suppliers of Sword Group, or in the subsidiaries of the latter.

There is no Director elected by the staff.

Should a member of the Board of Directors of the Company have or own any form of personal interest in one of the Company's transactions, the member in question shall inform the Board of Directors as to this personal interest and cannot decide or vote in relation to such a transaction.

This transaction as well as the personal interest of the Director in question in the transaction shall be the subject of a special report to the next General Shareholders' Meeting before any vote may be proposed by the said Director concerning any other resolution.

Taking account of the size of the Company, and in order to improve the efficiency of the Board's decisions, the functions of the Chairman and Chief Executive Officer are not separate. For the same reasons, the appointment of a compliance officer is not considered necessary.

Board Meetings – Functioning of the Board

The Board shall meet, carry out its functions and take decisions in compliance with applicable statutory and regulatory provisions, as complemented by the provisions of Sword Group's Memorandum and Articles of Association. To date there are Rules of Procedure and there is no censor.

In the absence of a Works Council, no staff representative of the Company or the Group takes part on a regular basis in the Board of Directors' meetings.

The budgets are forwarded to the Board annually. The Board also receives the analytical accounts on a monthly basis and the general accounting every quarter.

The Board is informed ahead of time of any acquisition or activity creation project and more generally speaking of all significant financial operations.

For each meeting of the Board of Directors, the relevant documents in relation to the agenda are sent to the members prior to the meeting. The Directors may request, at any time of the year, any information that they consider useful on the way in which the Company goes about its business.

All the Directors, executive or otherwise, have the same access to the information and resources that are necessary for the performance of their duties.

Sword Group's Memorandum and Articles of Association provide for a Board of Directors' meeting to be held as often as the Company's interests require this.
The Group uses its law firm to send out the invitations to attend the Board meetings. The Board generally meets at the Headquarters and the law firm assists the Chairman with drafting the minutes.

Within the scope of the reinforcement of the governance rules, Sword Group has laid down a set of Rules of Procedure that specify how the Board of Directors works as well as the obligations of the Directors within the scope of their functions, in particular their ethical obligations.

Remuneration of the Senior Management and Administrative Bodies

Corporate officers are paid according to their experience and their know-how specifically within the context of the European and Global market.

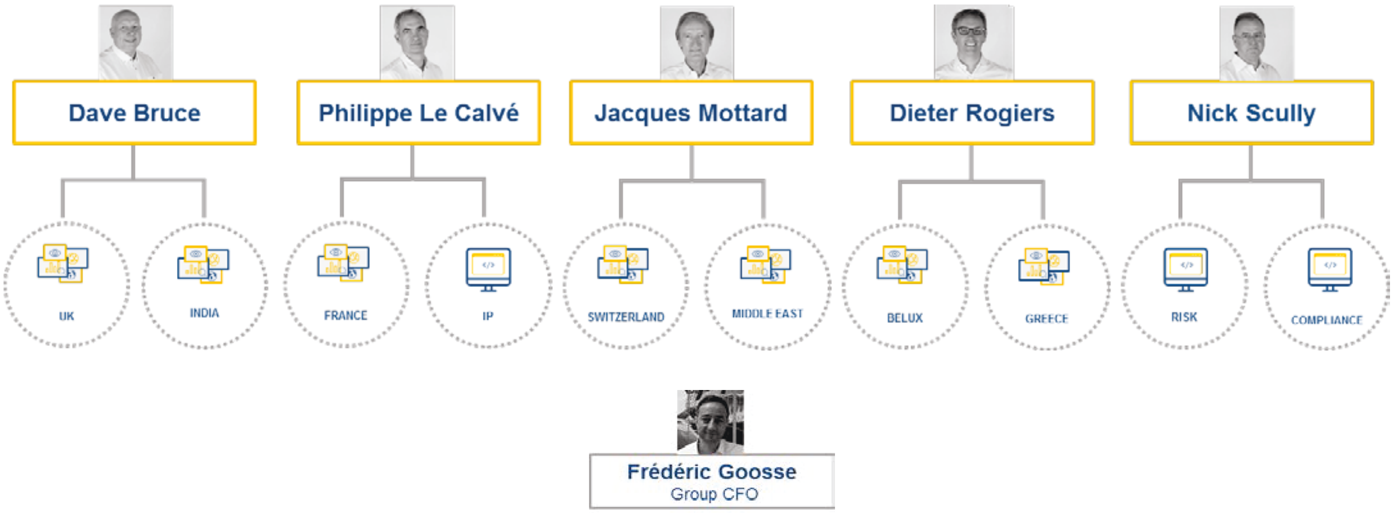
The remuneration package of the Board of Directors and Senior Management may be composed of various elements such as the granting of shares, stock options or any other right to acquire shares, attendance fees, retirement and departure conditions and other specific benefits, whether they are granted by Sword Group or its subsidiaries or companies within the Group.

The fixed and variable parts of the remuneration package are determined in a balanced manner.
If stock options are granted, the Board of Directors sets performance conditions as well as the number of shares resulting from each option that must be kept by the corporate officer until the end of his or her term of office.

Board of Directors' Assessment
The Board of Directors completes its assessment every year. The Directors consider at the reporting date that the current functioning of the Board of Directors enables them to perform their role properly.

The Executive Management Committee (EMC)
The EMC sets out the annual guidelines, monitors the business activity, defines the long-term strategy, manages the annual budget and supervises the profit centres known as 'Business Units'.

As at 31 December 2018, it has the following members:



Each member of the EMC (except Frédéric Goosse) is also the Director of a Business Unit. There are currently 29 Business Unit Directors.

The Management Committee
It comprises the Operational Committee and all the Business Unit Directors.

The Group's organisation is based in practice on the notion of a flat hierarchy with only two levels: on the one hand, Business Unit Director and on the other, Executive Management.

The persons in charge of the day-to-day management
Mr Jacques Mottard and Mr Frédéric Goosse have been appointed as the persons in charge of day-to-day management for a duration that expires on the day of the General Meeting, held in 2020, that is called upon to approve the Company's accounts for the year ended 31 December 2019. They may also go by the title of COO.

Business Units are profit centres that are managed according to principles set out in an internal administrative handbook.
It is managed on the basis of the following main activities:

Analytical activities, based on:
- a budget that is presented before the beginning of the year and analytical reporting that is completed at the end of the month and sent to the Executive Management and includes a breakdown of the activities, a summary of the projects, the distribution of the business activities, a summary of work in progress and prepaid services, as well as analytical monitoring of the projects;
- the feedback from the Executive Management to the Business Unit concerning the analytical profit and loss account.

General accountancy activities

- The entities that have their own accountancy department report directly to the Administrative and Financial Department.

- The Administrative and Financial Department manages the cash flow needs of the different companies in the Group centrally: if the cash flow from one subsidiary serves the financing needs of another, the holding manages the remuneration of the capital lent so that the subsidiary with the excess cash receives the interest on its loans.

Commercial activities

Each month, all the actors in each of the committees complete the same weekly report as the Sales Engineers, associated with the report on the sales contacts made during the week, and send it to their respective line managers.
These reports, consolidated at Group level, make it possible to:

- monitor the possible actions taken by the various actors for the same clients;
- quantify the number of new projects for which a quotation has been prepared; quantify the number of new contracts signed;
- check the number of deals lost and what they were worth.

The Operational Committee is in charge of coordinating all the Sales actors including the Business Unit Directors.

Technical activities

The role of Technical Director is a multifaceted one at Sword. From a strategic perspective, it involves helping work out the technological priorities for the Company in direct consultation with the Executive Management. As such, Technical Directors are in charge of some of the technology monitoring activities via a network of technical advisors within the Group. From an operational perspective, the role is divided between pre-sales (development of responses, value proposals in the upstream phase, etc.), development (contribution of an external viewpoint regarding the solutions implemented) and after-sales (follow-up of the services provided and of any future developments).

Each proposal is prepared by Project Managers and is checked by the Technical Management in terms of days and by the Business Unit Director from a financial point of view. The latter can undertake a financial commitment of up to €400,000 (compared with €1,000,000 for the Operational Director). Beyond this amount, the Executive Management must be consulted.

Each project is monitored by a Project Manager who produces a summary of fixed-price projects, providing an update on the stage reached in the project and any differences from the initial forecast.

All the project follow-up forms are checked by the Technical Management. A summary of the progress and differences from the initial forecast is compiled at Group level on a per-operation basis.

Any delays (commercial concessions on project sites) must be billed on an ongoing basis throughout the project process. All savings (improvements on initial forecasts) are recognised at the end of the project.

Any project that is over 5% late is audited by the Technical Management of another operation.

All the days that are not invoiced by the billable staff must, as a rule, only be allocated to the three following fields: training, management and commercial concession.
Any increase in the number of days not billed in a month by a Business Unit is analysed in detail to ensure that the commercial concessions have been billed correctly.

Reporting, Meetings, Delegations

<u>Reporting</u>

A Business Unit prepares:

- its draft salaries on the 10th day of each month;
- analytical reporting before midday on the day before the last working day of each month;
- the commercial position on the fifth working day of each month;
- the monitoring of staff travel expenses on the 5th of each month.

Each Business Unit Director shall prepare a career management and wages summary of their staff every six months with assistance from the Technical Director with any proposals for a salary increase, for training or career development for each member of staff in order to prepare the twice-yearly Remuneration Committee meeting.

Each case shall be reviewed with the Operational Directors and the Executive Management.

Each Business Unit Director shall prepare a budget proposal for the following year by mid-October each year. This shall be submitted to the COO (committee bringing together the General Managers) and then by 1 November to the CFO for it to be reviewed in the annual budget committee meeting.

Meetings

Each week, the Business Unit Director shall hold a meeting with his/her technical and sales managers in order to review the management of their profit centre from a commercial, technical, and managerial perspective in the light of the weekly reports.

Each Operational Director shall hold a meeting with his/her Business Unit Directors once a month, together with the Sales and Technical Managers in order to check the action taken by each entity and to coordinate the Business Units.

Every month, the Executive Management Committee shall meet for a day in order to check all the information summaries received and propose any possible corrective actions to the Operational Committee and to define the acquisitions strategy.

Every two months, the Operational Committee and the Executive Management Committee meet in order to:
- summarise the exchanges between the Executive Management Committee and the Operational Committee over the two previous months;
- produce an update on what progress was being made by the Business Units;
- define the strategy for the year and any corrective actions.

Once a year, all the Group's staff must meet their Manager for an in-depth interview about career progress and wages. This must take place outside the context of the daily exchanges between the Directors and their staff. Once every six months, the Executive Management Committee, the Operational Committee and the Management Committee shall meet for a Career Committee meeting.
Once a year, a Budget Committee meeting shall be combined with the Career Committee meeting.

Powers to represent the company
- Sales Engineers have delegated authority to represent the Company with clients.
- Project Managers have the power to technically manage their staff and manage the progress in days for each project, provided this has no adverse effect on the operating account.
- The Technical Director monitors the Project Managers and personally manages major projects (worth more than €400,000).
- Business Unit Directors have the power to hire staff, within the scope of their budget and according to the Group procedure, to incur the expenses provided for in their budget and to sign contracts with clients for up to €400,000. If these expenses exceed the budget [they have been allocated, the said powers shall be withdrawn until the situation returns to normal. Business Unit Directors must then ask the Executive Management Committee before incurring expenses or before recruiting staff.
- Business Unit Directors must not incur investment expenses without first submitting a purchase request to the Executive Management for approval, nor expenses that are likely to have a long-term impact such as leases and that are subject to equivalent approval from the Executive Management.
- Operational Directors may validly commit the Company for contracts up to a limit of €1,000,000, and has the powers that were formerly granted to the Business Unit Directors and subsequently lost by these.

As a rule, nobody is allowed to both decide to incur expenses and make the corresponding payments. For instance, the head of the profit centre shall approve supplier invoices with his/her signature whereas the Financial Management shall make the payment.

Management of the Staff Committees

Staff are recruited based on a defined procedure (definition of the profile, formal interview with two individuals , tests). Newcomers are given induction on their first day, with a member of the entity support staff introducing them to the welcome booklet and administrative handbook.

They are monitored by the relevant Project Manager and/or Technical Director who must periodically give an opinion on their development potential.

Each quarter, they take part in an entity meeting, providing them with all the information they need about the Company. Every six months, their situation is studied at a meeting of the Career Committee. At least once a year, they also have a formal interview.

II -Sword Group Shareholding Structure and Control

Capital and Shares

The share capital is €9.545 million, or more precisely €9,544,965 (nine million five hundred and forty-four thousand nine hundred and sixty-five euro). This shall be divided into 9,544,965 shares worth €1 each, fully paid up and all of the same class.

The shares shall be issued in paperless format.

Any shareholder, acting alone or in concert, who owns more than 5%, 10%, 15%, 20%, 25%, a third, half or two thirds of the capital or the voting rights is obliged to inform the Company of the total number of shares and voting rights held, by registered letter with acknowledgement of receipt, within four stock exchange trading days starting on the day where they learn that they learn exceeded these shareholding thresholds. The same will apply whenever the person's holding falls below one of the said thresholds.

This information will also be provided to the Financial Sector Supervisory Commission within (i) 6 trading days of any transaction and (ii) 4 trading days of the date the said shareholding thresholds are crossed due to an event that modifies the distribution of the voting rights.

If shares have not been properly disclosed, voting rights shall be withdrawn from those shares exceeding the number that should have been declared until proper notification is provided.

The shares are freely tradable, notwithstanding any legal or regulatory provisions to the contrary.

Modifications of the Share Capital

1 – The share capital may be increased by whatever means and according to all the procedures provided for by the law.

Payment for newly created shares may be made in cash, either by offsetting these against claims for liquidated amounts due from the Company or by incorporating reserves, profits or share premiums or by a contribution in kind or through the conversion of bonds.

Only the Extraordinary General Meeting shall have the power to decide any increase in capital. It may also delegate this power to the Board of Directors in relation to the capital authorised by the Memorandum and Articles of Association.

The Board of Directors may decide to restrict increases in capital only for payments in cash corresponding to the amount subscribed.

In the event of a capital increase through the issue of shares for cash, pre-emptive rights shall be granted to the owners of the existing shares in accordance with the provisions laid down by law.

However, shareholders may individually renounce their pre-emptive right during the General Meeting that decides on or authorises the share capital increase. In addition, the shareholders may, in the General Meeting, cancel this pre-emptive right in accordance with legal requirements.

2 – A capital increase may also arise following a request made by any shareholder to receive payment of all or some of the dividends to be distributed, in the form of shares when shareholders have been granted the right to do so by a resolution of the General Meeting or by the Board of Directors within the scope of a capital increase up to the amount of the authorised capital as defined under Article 8 of the Memorandum and Articles of Association and under Article 2.1 of this charter.

In such a case, the Board of Directors shall, within the statutory time limit, record the number of shares issued by virtue of the previous paragraph and shall record changes to the Memorandum and Articles of Association by means of a notarial deed.

The Extraordinary General Meeting may also delegate to the Board of Directors the power to actually reduce the share capital.

The Board of Directors may repurchase Company shares, within the limits provided by law and the authorisation granted by the Extraordinary General Meeting.

Share Listing
The Company's shares are listed on Euronext Paris (*Compartment B*). There are 9,544,965 shares in circulation.

Information concerning the Company's share price is available on its website (www.sword-group.com).

Sword Group SE shares are part of the following main indexes: ICB: 9530 *Logiciels et Services Informatiques*, Indices CAC® Small, CAC® Mid & Small, CAC® All-Tradable, CAC® All-Share.

Acquisitions and Disposal of Treasury Shares
Sword Group may hold treasury shares and carries out transactions involving these shares, within the limits provided by law and the authorisation granted by the General Meeting of Shareholders held on 28 April 2017.

Detailed information on these operations is regularly provided to the CSSF and is featured on the Sword Group website.

Shareholders

Main shareholders
Jacques Mottard and Nicolas Mottard, including the holding of Financière Sémaphore, have in total 17.9% of voting rights.

Eximium holds 17.1% of voting rights.

The floating shareholders represent 57.2% of the capital.

Powers and General Meetings
The shareholders shall be given notice to attend General Meetings in accordance with the legal provisions and those of the Memorandum and Articles of Association. Article 18 of the Memorandum and Articles of Association lays down general rules for the General Meetings of Shareholders.

Convening Notices
The shareholders shall convene at the Annual General Meeting on 28 April of each year at 11 a.m. in the municipality where the Company has its registered office or at any other venue indicated in the convening notice.

If the meeting date coincides with a bank holiday, the meeting shall beheld the next working day.

Ordinary General Meetings may be called by the Board of Directors at any time during the year with a special notice to this effect.

One or more shareholders holding at least a total of 10% of the subscribed capital may request that a General Meeting be called. The notice to convene such a meeting shall state the items on the agenda.

The form of the meeting and the required notice period shall be as required by law. Convening notices must indicate the venue for the meeting, which may be held at the registered office or at any other location, and the agenda.

Agenda
The agenda is set by the person calling the meeting. It shall include, if appropriate, proposals made by one or more of the shareholders owning a total of at least 5% of the subscribed capital. These shareholders may request that one or more new items be included in the agenda of any General Meeting, subject to the time limits and procedures provided by law.

When a meeting has not been able to deliberate validly in the absence of the required quorum, a second meeting shall be convened in the same way as the first, with the convening notice referring to the date of the first meeting.

Admission to the Meetings – Powers
All shareholders shall be entitled to attend the General Meetings personally or by proxy, regardless of how many shares they hold, on supplying proof of identity and share ownership, in the form:

- either of a registration in their name;
- or of an entry of the shares in an account in the name of the shareholder or of the intermediary who is registered to represent them, as at the third working day preceding the General Meeting at midnight, Paris time.

However, the Board of Directors may reduce or waive such a notice period if this is in the interests of all the shareholders.

The shareholders may submit their vote by post but must request a postal vote form from the Company in order to do so. This form will include the information relating to the General Meeting in question and will be drafted in such a way that shareholders will be able to cast their vote for each of the resolutions proposed, in the order in which they are presented at the meeting. The request for the form must be addressed to the Company by any means and must be deposited or received at the registered office at least six days prior to the meeting.

To be valid, the ballot paper must include the following information:

- the shareholder's first name, surname and place of residence;
- an indication of the form in which the shares are held, the number of shares held and confirmation of the registration of the shares either in the registered share accounts or in the share accounts held by the authorised financial intermediary;
- the signature of the shareholder or his/her legal representative.

Postal votes must, in order to be taken into account, reach the Company at least three days before the General Meeting.

A shareholder can be represented by a third party in accordance with the conditions laid down by the regulations in force.

Holding of the Meeting – Meeting Committee (Secretary of the Meeting) – Minutes
The General Meeting is chaired by the Chairman of the Board of Directors or by a Director designated by the Board, if the convening notice comes from the latter, or failing that, by a person appointed by the meeting. It shall be chaired by the statutory auditor or company auditor as the case may be and by the court officer or by the liquidator in the other cases. Scrutineer duties are performed by the two Board members having the most votes, as long as they agree to these responsibilities. The committee appoints a secretary (who may be a non-shareholder).

The deliberations are recorded in minutes signed by the members of the committee and signed by the shareholders requesting them.

Copies or extracts of these minutes, to be submitted in court or elsewhere, are duly certified in the case of Ordinary General Meetings by the Chairman of the Board of Directors or a Director or the Secretary of the General Meeting and in the case of Extraordinary General Meetings, by the Notary who is the depository for the minutes in question.

The conditions for exercising voting rights – Majority quorum

1 – The quorum shall be calculated taking into account all the shares that comprise the share capital, less those shares from which voting rights have been withdrawn by law.

For postal votes, only forms duly completed and comprising a reference to the certificate of deposit of the shares, received by the Company at least three days before the meeting is held, will be taken into consideration when determining the quorum.

2 – The Ordinary General Meeting cannot validly conduct business on the basis of the first convening notice, unless the shareholders present, represented or voting by post own at least a quarter of the share capital. In the absence of such a quorum, a second General Meeting will be called, without the necessity for a quorum, in the form provided for within the provisions of Article 450-3 of the Law of 10 August 1915 on commercial companies, as amended.

The Extraordinary General Meeting cannot validly conduct business [moved and changed: notice convening the extraordinary general meeting] unless the shareholders present, represented or voting by post own at least half of the share capital at the time of the first convening notice. In the absence of such a quorum, a second General Meeting will be called, without the need for a quorum, in the form envisaged within the provisions of Article 450-3 of the Law of 10 August 1915 on commercial companies, as amended.

3 – In General Meetings, each member of the Meeting shall have the same number of votes as the number of shares he/she owns or represents without any limitation, with the sole exception of the cases provided for by law.

4 – At General Meetings, voting shall take place on a show of hands, by names being called out or by secret ballot or through the use of telecommunications, such as video-conferencing systems or any other means of teletransmission that make it possible to identify the shareholder taking part in the General Meeting, as may be decided by the committee for the meeting or by the shareholders.

Resolutions of Ordinary General Meetings shall be made by a majority of the validly cast votes. The validly cast votes do not include those associated with the shares for which the shareholder has not taken part in the vote, abstained from voting or returned a blank or invalid vote.

Resolutions of Extraordinary General Meetings shall be by a majority of two thirds of the validly cast votes.

Dividend Policy
In accordance with Article 24 of the Memorandum and Articles of Association, the following items shall initially be deducted from the profits of the accounting year less any losses from the previous years:

- at least five percent (5%) to constitute the legal reserve; such a deduction will cease to be mandatory when the said reserves will have reached a sum equal to one tenth of the capital, but will resume if for any reason whatsoever this percentage is no longer reached,
- and any amounts to be allocated to the reserve account by law.

The balance, plus profits carried forward, shall comprise the distributable profit that the General Meeting, on proposal from the Board of Directors, may resolve to distribute in whole or in part as dividends, or allocated to reserve accounts, capital amortisation or carry forward.

The Extraordinary General Meeting may, subject to legal provisions, decide on the full or partial amortisation of the shares that will proportionally lose the right to a dividend and to the reimbursement of their nominal value.

This meeting may also, subject to legal provisions, decide to convert into capital shares those shares that have been fully or partially amortised.

In general, Sword Group shall pursue a dividend policy linked on the one hand to the profits of the year in question and on the other, to the foreseeable development of the Group and its profitability.

III - Supervisory structures

Audit Committee – other committees

The Company has an Audit Committee, comprising François Barbier and François-Régis Ory, Independent Directors, appointed as members of the Audit Committee for the duration of their term of office as Directors.

Mr François-Régis Ory is Chairman of the Audit Committee.

With regard to the creation of an Appointments and Remuneration Committee or the creation of other specialised committees, the decision has been made not to set up such committees within Sword Group, given the size of the Company.

Internal controls

We remind you that the internal control procedures in force in our Company are aimed at the following:

- on the one hand, ensuring that the operational management, transactions and employees' conduct comply with the framework provided by the broad sweep of corporate activities as defined by the senior management and by the applicable laws and regulations and by the values, standards and internal rules of the company;
- on the other, to check that the accounting, financial and Management information provided to the Management of the Company accurately reflect the Company's operations and financial position.

One of the objectives of the internal control system is to prevent and manage the risks resulting from the Company's business activity, as well as the risk of errors and fraud, in particular in accounting and finance.
As is the case for all audit systems, however, it does not provide a cast-iron guarantee that these risks will be completely eliminated.

The internal control procedures are decided on by the Sword Group Board of Directors and an internal control officer was appointed to monitor the different risks identified by the Board of Directors, in accordance with the Ten Principles of Corporate Governance of the Luxembourg Stock Exchange.

Statutory audits of the accounts

Statutory audits of the accounts is carried out by Mazars Luxembourg S.A, *Cabinet de Révision Agréé* (approved audit firm).

IV - Conducting business and transactions involving Sword Group shares

Conducting business and ethics

As one of the world leaders in business process improvement solutions for the regulated sectors, Sword Group makes its expertise, experience and infrastructure available to its clients to help them improve their performance, boost their efficiency and maximise their returns on investment.

Sword Group does business around the world in compliance with the laws and rules and regulations in force in the various countries where Sword Group and/or its subsidiaries operate.

On 20 December 2010, the Board of Directors of Sword Group adopted an Ethical Charter. The Code aims, in particular, to lay down the key values and principles shared by the whole of Sword Group and its employees and to affirm the ethical commitment of Sword Group in all its areas of activity, vis-à-vis shareholders, members of the company, customers, suppliers and partners.

Transactions involving Sword Group shares

Sword Group's senior executives comply with all the legislative and regulatory provisions relating to transactions involving the shares of listed companies.
Sword Group's senior executives regularly declare the transactions they perform involving Sword Group shares under the legal and regulatory provisions and refrain from any transactions involving Sword Group shares if they hold privileged information.

Sword Group alerts the CSSF to any offences relating to the holding of privileged information, using a list of insiders it has drawn up pursuant to the legal provisions. This gives the names of all those who hold privileged information and are employed by Sword Group and of third parties who have access to such information as part of their collaboration with the Group.

10 MANAGEMENT REPORT

Ladies and gentlemen,

In accordance with the applicable legal provisions and the applicable provisions of the Memorandum and Articles of Association, we have called you to this Ordinary General Meeting to submit for your approval the financial statements and consolidated financial statements for the year ended 31 December 2018.

You will also be asked to vote to confirm the following:

within the competence of the General Meeting taking decisions under the quorum and majority conditions required for Ordinary General Meetings:

- that you have read the Board of Directors' management report, including the Group management report, and that two agreements under Article 447-7 of the Law of 10 August 1915, as amended, have been concluded during the year ended 31 December 2018;
- that you have read the statutory auditor's report on the 2018 financial statements, the Group's consolidated financial statements and the performance of its duties;
- your approval of the corporate accounts as at 31 December 2018;
- your approval of the consolidated financial statements as at 31 December 2018;
- the allocation of profit or loss for the year ended 31 December 2018;
- that you agree to discharge being granted to the directors for their management duties for the year 2018;
- the compensation of the directors;
- that you agree to discharge being granted to the statutory auditor for its duties for the year 2018;
- the reappointment of the statutory auditor;
- the authority to complete formalities.

We will present the consolidated financial statements and corporate accounts to you one after the other. We will then submit these for your approval.

The required notices were duly sent to you and all documentation required by the regulations in force were made available at the Company's headquarters and on the Company's website within the legally required timeframe.

The statutory auditor's report will then be read to you.

Significant events in Sword Group in the year ended 31 December 2018

On 16 February 2018, the Group acquired the whole of ID&O S.à r.L., a service company incorporated in Switzerland, for a total sum of €2,761,000, excluding earn out. The purchase agreement provides for an earn out to be made depending on growth in revenue. The earn out will be calculated for the period from 16 February 2018 to 31 December 2020. The company has been renamed 'Sword S.à r.L.'.

On 13 February 2018, Active Risk Group Ltd undertook a capital increase of €1,517,000, subscribed by individuals holding management positions within Active Risk, reducing the Group's interest in this subsidiary from 100% to 89% as at 31 December 2018.

On 1 April 2018, the Group repurchased 5% of the shares allocated to the directors of Sword Technologies S.A. This transaction, worth €1,120,000, increased the Group's interest in this subsidiary from 95% to 100%.

On 10 April 2018, the Group sold its stake in Sword Performance Solutions AG, a subsidiary based in German-speaking Switzerland specialising in the implementation of Application Performance Monitoring (APM) solutions, for a total price of €5,663,000. This sale covered Adhoc S.à r.L. Morocco, Adhoc CTS Tunisia, Adhoc ISL Tunisia and Sword Performance France SAS.

On 2 August 2018, the Group boosted its stake in Sword Charteris Ltd by €18,734,000, increasing this from a 49% to a 100% interest in the subsidiary. This transaction had no impact on the Group's level of control.

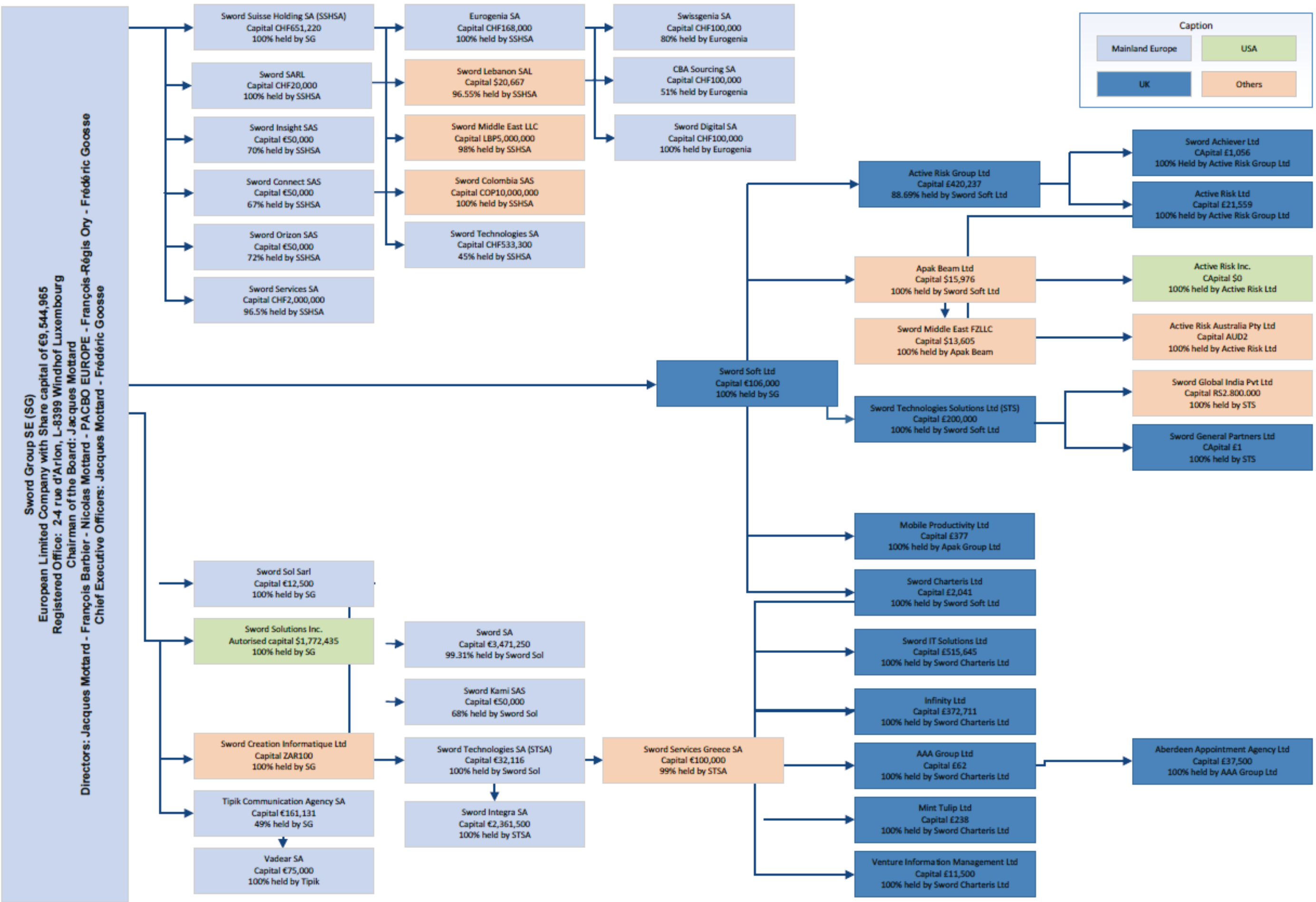
On 18 October 2018, the Group disposed of Apak Group Ltd, a subsidiary incorporated in the UK specialising in asset finance products, for a total price of €127,883,000, excluding earn out. This disposal included Sword Apak Inc.

Effective from 31 December 2018, the Group signed a shareholders' agreement giving it control over Tipik Communication Agency S.A. (Tipik), which until then had been recognised in the Group's accounts according to the equity method. The shareholders' agreement is subject to a right of acquisition by Sword Group SE of all the shares held by Tipik Group S.A., namely 49% of the Company. This purchase option will apply for an unlimited period.

Crossing of Shareholding Thresholds
None

About Sword Group
Sword is an IT services and software group handling all aspects of the digital transformation, with a particular focus on data management.

A summary of its organisational structure is provided below:



The Group has offices in 18 countries (Australia, Belgium, Canada, China, Colombia, France, Greece, India, Ireland, Lebanon, Luxembourg, Malaysia, New Zealand, South Africa, Switzerland, the United Arab Emirates, the United Kingdom and the United States) and is working on projects in some 50 nations.

The subsidiaries hire high-level experts and provide work for almost 2,000 people in Luxembourg and elsewhere as employees, subcontractors or freelancers.

Governance of Sword

Sword Group has the following formal structures:

- Executive Management

  The members of the Executive Management team are selected for their managerial, technical and professional attributes and come from a range of countries and cultures, thereby providing the Group with a global outlook.

  Under the chairmanship of Jacques Mottard:

  - 5 Executive Managers:
    - Nick Scully: Software GRC (Worldwide), based in the UK;
    - Dieter Rogiers: Belux & Greece Services, based in Brussels (Belgium);
    - Philippe le Calvé: France Services and software administered from France (IP, Orizon, etc.), based in Lyon (France);
    - Dave Bruce: UK Services, based in the UK;
    - Jacques Mottard: Switzerland/Middle East/US Services
  - 1 CFO:
    - Frédéric Goosse, based in Luxembourg

- The Board of Directors

  The Board of Directors' makeup reflects the Company's desire to have top-class directors on its Board with a varied skillset and proven expertise in a range of fields. The Board has always taken care to maintain a balanced makeup, in particular by including independent directors.

  Under Jacques Mottard's chairmanship, the Board members listed below have been chosen for their financial and/or technical expertise and their variety of professional backgrounds, ensuring that they bring a wealth of experience to the Board.
    - François Barbier: Independent Director
    - François-Régis Ory: Independent Director
    - Patrice Crochet: Independent Director
    - Nicolas Mottard: Director
    - Frédéric Goosse: Director

The Board of Directors met five times in 2018 (with an attendance rate of 93%).

- The Audit Committee

  This committee is responsible for monitoring the preparation and control of accounting and financial data.

  It has two members:
    - François-Régis Ory: Chairman;
    - François Barbier.

The Audit Committee met four times in 2018 (with an attendance rate of 100%).

- The Executive Management Committee (EMC)

  This committee, bringing together the Executive Managers,
  is in charge of deciding on the Group's strategy that will be put to the Board of Directors.
  Phil Norgate joins this committee for M&A-related matters.

- The individual countries' Management Committees

  These bring together, depending on requirements, all or some of the following levels:
    - the country's Executive Manager/CEO;
    - the BU Directors;
    - the Technical Directors;
    - the Commercial Directors.

For each role there is a charter outlining its objectives and powers.

It is worth pointing out that:

- for Software (e.g. GRC, IP), there are centralised committees, which are not organised on a country basis;
- for the Middle East, a single committee covers all the countries in this region;
- Greece (as a nearshore base of Belux) is integrated into Belux, managed from Brussels.

Social Responsibilities
Since 2011, Sword Group has been a signatory to the United Nations Global Compact, undertaking to abide by this initiative's 10 principles relating to human rights and the workplace, the environment and corruption.

By joining, the company was keen to show it is a socially responsible stakeholder in the global economy.

Sword chose the UN Global Compact as it provides a globally recognised framework as well as sustainability,

and therefore the Group has ensured compliance with the 10 principles set out there ever since.

Human Rights
Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and
Principle 2: make sure that they are not complicit in human rights abuses.

Labour
Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
Principle 4: the elimination of all forms of forced and compulsory labour;
Principle 5: the effective abolition of child labour; and
Principle 6: eliminate discrimination in respect of employment and occupation.

Environment
Principle 7: Businesses should support a precautionary approach to environmental challenges;
Principle 8: undertake initiatives to promote greater environmental responsibility; and
Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption
10 Businesses should work against corruption in all its forms, including extortion and bribery.

The Human Aspect
Education, work-linked training and ongoing training
As Sword is a specialised services company, the added value that the company provides to its clients is largely determined by the quality of its human resources' training and expertise. This is one of the most important development areas for Sword and is the reason why the company pays particular attention to skills and team management. The company has introduced specific procedures for the following items:

- Maintaining skills levels and pooling knowledge through implementation of training processes, capitalisation and sharing of knowledge These processes are tailored to the specialisms of each of our competence centres and facilitate the growth and development of our staff so that they become experts in their field. Sword makes various learning resources available to this end: a specialised set of shared documentation, a listing of the tutorials available for each specialist field, coaching of new staff through tutorship and mentoring, and the provision of internal or external training and of certification training programmes.
- Sustaining team motivation throughout a contract, based essentially on small centres of expertise, proximity management, close involvement of the competence centre's management team, internal mobility and personalised training plans
- Change management: arrival or departure of a new team member, taking into account the project constraints and objectives

Sword constantly invests in training to address this.

This investment extends beyond staff training to include universities and engineering schools through various types of initiatives:

- Internships: These are set up on the basis of the opportunities that Sword can provide and the students' expectations. These internships have led to permanent job offers every year.
- Integration of students combining work and training into Sword's teams

- Regular participation in training programmes that aim to create a bridge between schools and companies:
  - Lectures since 2011 at Université Paris X - Paris Descartes as part of the DEFI Master diploma (Electronic Documents and Information Flow) on Semantics and Systems Integration, "Why? How? Proof Through Examples"
  - Lectures since 2012 at Université Claude Bernard in Lyon on "Data Optimisation: What and Why?"
  - Case studies – Sword projects (LERUDI, ALIAS, ISIDORE, UOH)
- Involvement in research and development projects bringing together fundamental research and the business community

Managerial Excellence

Given the nature of Sword's business activities (specialised services) and contracts, the Group's organisational structure has been adapted to accommodate and make a success of this type of activity, in particular at the management level:

- Profit centre organisation: Organisation of the company into autonomous specialised centres of excellence; each of these is a profit centre responsible for its production and results
- Project know-how and expertise: All managers in charge of the specialist competence centres are trained in technical IT domains, and as such, have extensive experience in IT project management on a fixed-price basis. Most managers are experts in their specific field.
- Reinforcement of the technical management: Each competence centre relies on a technical management team directly integrated into its strategic management to the same extent and with the same decision-making power as the sales management team.
- Specialist sales approach: Sword's sales approach is based primarily on our know-how and capacity to innovate and manage core and innovative projects in our various specialist fields. The managers in charge of sales activities report directly to each competence centre and have a good technical understanding of the core business, thereby ensuring their relevance in our specialist fields.

Staff Empowerment

The majority of the staff or sub-contractors who work for Sword Group are highly-skilled managers. Sword provides its staff with a wide range of tools to facilitate their day-to-day activities. Some 80% of the Group's engineers have a high level of studies (the equivalent of the French 'BAC +4' or 'BAC +5' (four or five years of university studies) or a PhD).

Sword has numerous tools for leveraging know-how. This allows teams to independently access relevant information and if necessary optimise access to the appropriate specialists.
This requires tools adapted to specific needs:

- Portable computers for mobile employees, with external access to Sword's IT system: All staff have one or two screens in addition to their laptop, with a view to improving their work comfort.
- State-of-the-art collaborative tools (e-mail and instant messaging, collaborative spaces, standardised documentary reference frameworks, professional HR tools, customer relations management tools, video conference rooms on every Group site)
- Cutting-edge tools such as a semantic search engine bringing together all the company's resources
- Methods promoting staff empowerment, in particular through the growing use of Agile development methodologies
- Quality working environment: The offices are organised around small project teams and there are never more than five people working in a room. Management accessibility is also ensured by the geographic proximity of the offices.

The improvement of information flow in the company

Sword's staff are involved in the corporate strategy through short hierarchical chains of command and regular briefings and updates.

Entity meetings are held at least twice a year, dealing with the following subjects in an open discussion:

- The results and outlook for the whole Group and its strategic orientation
- The results and outlook for the relevant entity, business opportunities and strategic orientation
- A global review of the projects under way, the difficulties encountered and the successes
- The highlighting of best practices

Regular meetings are organised between each staff member and their manager to provide updates on each service. This proximity of the teams promotes informal exchanges and the effective flow of information.

The balance between work, family and leisure activities
Sword Group provides a range of facilities that help staff to better balance their work, family and leisure activities.

- At some Sword sites, staff can use tennis courts and football pitches, compete in sporting events, and so on.
- Staff wishing to do so can work part-time.

Employees cannot be moved to a different work location without their consent. Sword's international presence also means the company can offer its staff job opportunities in other countries.

Equal treatment
Sword applies a number of measures aimed at ensuring equal treatment for all, as far as possible. The following measures are applied:

- Annual individual meetings conducted by company managers – meeting documents completed jointly by the manager and the staff member
- Variable compensation described on an annual mission task sheet – regular assessment of results
- Annual overview of training (including details of the number of male/female participants)
- Half-yearly assessment (for France) highlighting the maximum and minimum compensation for each staff category (broken down by gender, among other things)

When hiring, particular attention is paid to equal opportunities:

- Job advertisements in France are systematically published online on the APEC site and on LinkedIn.
- The ad always uses gender-neutral language.
- Standardised recruitment process revolving around a series of logical reasoning tests aimed at providing recruiters with objective decision-making criteria

Sword has introduced regular monitoring of equal treatment between staff. This involves regularly checking indicators such as wage distribution by gender in various regions, with a comparison of average wages between the current and previous year.

Disability
The Group has very few disabled staff as it receives virtually no applications from people with disabilities. Sword helps those with a disability find work by calling on the services of companies that employ disabled people, for example for sorting through records and purchasing office supplies.

The Environment
Management of Sword Group's impact on the environment and on natural resources

Sword Group is a services business so its impact on the environment is limited. Nevertheless, in the interests of sustainable development, we have implemented a simple and practical policy for protecting the environment and reducing energy consumption.

- Efficient electricity management: turning off lights, computers and all electrical devices as soon as possible
- Applying insulation standards in buildings
- General rollout of sensor switches to reduce unnecessary electricity consumption
- Annual building audit by APAVE to assess the quality and ongoing performance of electrical installations
- Virtualisation of all IT servers in 2007, reducing kW/h consumption by a factor of six
- Reduction of greenhouse gas emissions by controlling the use of air conditioning
- Reduction of business trips by optimising the use of modern communication technologies (phone, video conferencing, etc.), including for management meetings for client projects:
  Each Sword site has at least one meeting room with a video conferencing system, allowing virtual meetings to be held with external stakeholders.
- Introduction of a Microsoft Lync and/or Skype Enterprise instant messaging system linking up the Group's international sites with each other and the outside world, enabling point-to-point discussions between staff or with clients using IP phone systems, instant messaging, application sharing and video solutions
- Maximisation of public transport use for travel within cities: Sword covers some of the cost of travel passes to promote the use of public transport
- Promotion of carpooling for all work-related trips made by our engineers outside the city where they operate
- Use of rail transport whenever possible, and in particular for trips between sites
- Minimise the number of documents printed as part of projects: Engineers only print the final version of documents. All revision/proofreading is done on screen. The Group's printing plant is Imprim’vert (green printing) certified and complies with Forest Stewardship Council (FSC) and Programme for the Endorsement of Forest Certification (PEFC) principles, among others
- Reuse and recycling of paper
- Construction and extension of all Sword buildings based on the HQE standard
- Recycling of computer hardware and accessories (ink cartridges) by appropriately certified companies
- Restriction of the engine rating of company cars (average engine rating of the fleet in France: 6.7 hp)
- Introduction of incentives to encourage staff to buy electric cars
- Introduction of a customised policy for each country: For example, our Belgian subsidiary has set up an 'Ecoteam' that monitors its work's impact on the environment. The paper used for internal purposes, for instance, is 100% recycled. Bicycles are available to staff for short trips. A special environmental compliance certification process has been launched.
- Relocation to sites using less energy (e.g. Chennai (India))
- Introduction of electric bicycle fleets (100 such bicycles in France)
- Creation of an electric vehicle fleet by the company (Renault Zoe and BMW I3)
- Operational investments in areas generating energy savings (e.g. new software marketed to international organisations helping them to reduce their number of trips: reduction of the CO_2 balance)
- Introduction of waste sorting in all countries

The Community

Anchored in society
Sword's various sites play an active role in the life of their region, undertaking a range of initiatives in this regard:

- Sponsorship of social and cultural activities
- Participation in clusters aimed at making the regions where Sword operates more economically attractive Sword is the administrator of the Health Cluster in the Rhône-Alpes region of France and is a member of the Cap DIGITAL competitiveness cluster in Paris.
- Involvement in the higher-education sector, giving presentations as part of various courses, participating in student forums and providing students with internships developed with the institutions and students in question
- Strict compliance with labour laws
- Recruitment on the local labour market or based on voluntary relocation
- Support for not-for-profit organisations: Sword sponsors the Léon Bérard Centre for the Fight against Cancer (CLB) in a range of support initiatives. It also supplies equipment to organisations providing support for education in Africa (Wassadou Pont Trambouze).

Governance
The Ordinary General Meeting of 28 April 2016 renewed six directorships, namely those of Jacques Mottard, Nicolas Mottard, François Barbier, François-Régis Ory, Frédéric Goosse and PACBO Europe, Administration et Conseil S.à r.L., represented by Patrice Crochet, for a four-year term. No changes have occurred since then.

Basis for preparation and accounting principles
This part is detailed in Note 2 to the consolidated financial statements.

II - GROUP ACTIVITIES – PRESENTATION OF THE CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

Non-IFRS financial indicators
The non-IFRS financial indicators presented in the annual report do not fall under a set of accounting standards or principles and must not be considered a substitute for the accounting aggregates presented in accordance with the IFRS standards. The non-IFRS financial indicators must be read in conjunction with the consolidated financial statements prepared in accordance with the IFRS standards. It is also possible that Sword Group's non-IFRS financial indicators will not be comparable with other non-IFRS data used by other companies.

Management use non-IFRS financial indicators, in addition to IFRS financial information, to assess its operating performance, evaluate its ability to generate cash flow, take strategic and operational decisions and plan and set its growth objectives. The Group believes that the non-IFRS financial indicators also provide investors and financial analysts with a relevant basis for assessing the Group's operational performance over time and comparing it with that of other companies in its sector, as well as for meeting its valuation needs.

The Group mainly uses two non-IFRS financial indicators, i.e. the organic growth rate and a measure of profitability calculated on the basis of the EBITDA.

Organic growth is defined as revenue growth on a like-for-like basis. Organic growth on a constant exchange-rate basis corresponds to revenue growth on a like-for-like basis and at constant exchange rates.

To measure revenue growth on a like-for-like basis, the Group takes as its basis the consolidation scope at the end of the benchmark year (in this case 31 December 2018). Therefore, the consolidated revenue for the year under review (year N) and the previous year (year N-1) has been restated as follows:

- it includes revenue generated by entities acquired during year N prior to the date on which the Group took control;
- it does not include revenue generated for year N-1 and year N by companies sold during year N.

When reference is made to changes in revenue at constant exchange rates, the impact of exchange rates is eliminated by recalculating the revenue for year N-1 on the basis of exchange rates used for year N.

Organic growth can be used to assess the Group's ability to generate internal growth, in other words its ability to develop its business activities and create added value.

This report presents growth in revenue in terms of historical value before restatement, or on a like-for-like or constant exchange-rate basis.

Group profitability is defined as a gross margin rate by comparing current EBITDA with revenue.

Current EBITDA corresponds to revenue less purchases, personnel expenses, other external charges, allocations to provisions and other current operating expenses, plus write-backs on provisions and other current operating income, as presented in the consolidated income statement. In the income statement, reference is made to 'Earnings before interest, taxes, depreciation and amortisation, excluding non-recurring elements'.

This profitability indicator has two objectives:

- to assess the Group's development in the medium term (excluding non-recurring costs);
- to assess the Group's capacity to generate cash flow arising from day-to-day operations (in other words, its self-financing capacity).

In addition to the indicators described above, the Group uses current EBIT (see definition below) as a starting point for assessing free cash flow when it conducts goodwill impairment tests. A sensitivity analysis was conducted in the context of these tests. It aims to ensure fluctuations, within a reasonable range, in the scenarios used as a basis for estimated financial forecasts, including EBIT expressed as a percentage of revenue.

Current EBIT (listed as 'Earnings before interest and taxes excluding non-recurring elements' in the consolidated income statement) is an aggregate similar to current EBITDA, if only in so far as it provides an indication of the Group's operating margin after deducting depreciation charges, i.e. after taking account of its investment structure.

Presentation of the simplified consolidated income statement as at 31 December 2018

The table below presents Sword Group's simplified consolidated income statement for the year ended 31 December 2018 compared with that for the year ended 31 December 2017.

In thousands of €	2018 Under IFRS 5 and 15 (1)	2018 Under IFRS 15 (2)	2018 Constant standards (3)	2017
Revenue	171,412	191,451	194,346	173,489
EBITDA	20,145	26,556	27,229	27,809

(1) The figures here reflect those presented in the consolidated financial statements as at 31 December 2018.
(2) The figures here cover all activity (including Apak by applying IFRS 15).
(3) The figures here cover all activity (including Apak by continuing to apply IAS 11/IAS 18).

The following analyses are based on a comparison of 2018 with 2017 applying constant standards.

Activity and revenue

Consolidated revenue, based on constant standards, stood at €194.3 million in 2018 with profitability of 14% (EBITDA). The backlog as at 31 December 2018 was 24 months of revenue as compared to the budgeted revenue for 2019.

Specialisation
The Group is now focusing on the digital transformation across all divisions – Software and IT Services.

Internationalisation
The Group operates in 50 countries and has a physical presence in the form of subsidiaries and offices in 18 of these, thereby covering Asia Pacific, the Middle East, Europe, America and South Africa.

Expansion
All of Sword's activities comply with the Group's standards in terms of revenue, profitability and growth capacity.

Earnings before interest, taxes, depreciation and amortisation, excluding non-recurring elements (EBITDA)
Consolidated EBITDA in 2018, based on constant standards, is K€27,229 i.e. 14% of 2018 revenue.

Debt, cash flow and investments
The Group's net cash (active cash – debt) increases from €20.6million as at 31 December 2017 to €86.5 million as at 31 December 2018.

The cash flow generated by operating activities, applying IFRS 5 (see cash flow statement), is K€13,548.

Gross investments for the financial year, both intangible (excluding goodwill and market shares) and tangible, stood at K€7,320.

Acquisitions
Growth operations are detailed in Note 12.1 to the consolidated financial statements.

Disposals
Disposals are detailed in Note 13.1 to the consolidated financial statements.

Breakdown of 2018 consolidated revenue
The 2018 consolidated revenue, based on constant standards, breaks down as follows:
Software: 23.0%
IT Services: 77.0%

BY DIVISION (CONSTANT STANDARDS)

€m	Revenue	EBITDA	%
Software	**44.7**	**11.2**	**25.0%**
Asset Finance Solutions	24.6	6.0	24.2%
Governance Risk & Compliance	13.3	3.4	25.8%
Other	6.8	1.8	25.8%
IT Services	**149.6**	**16.0**	**10.7%**
Benelux	28.4	2.4	8.3%
France	41.4	5.6	13.6%
Switzerland	25.4	2.8	10.8%
UK	42.7	3.8	9.0%
Other *(including offshore)*	11.7	1.5	12.6%
Total	**194.3**	**27.2**	**14.0%**

Percentages are given with figures in thousands of €.

Changes in the Group's main subsidiaries

SOFTWARE

(A) Governance Risk Compliance + Other

€m	Consolidated (constant standards)	
	2018	2017
Revenue	20.1	18.0
EBITDA	5.2	5.1
%	25.8%	28.3%

This transaction combines Intellectual Property (IP) products (34%) and Governance Risk & Compliance (GRC) products (66%).
These two entities enjoyed the following growth levels:
32.6% for IP and 11.2% for GRC.

(B) Asset Finance Solutions

€m	Consolidated (constant standards)	
	2018	2017
Revenue	24.6	31.1
EBITDA	6.0	9.5
%	24.2%	30.4%

N.B.: The Apak activities sold during the year, while they are included in the table above, have been presented on a separate line in the consolidated income statement.

IT SERVICES

(A) France

€m	Consolidated (constant standards)	
	2018	2017
Revenue	41.4	36.1
EBITDA	5.6	4.9
%	13.6%	13.6%

France continues to overperform, maintaining its EBITDA rate at 13.6% and boasting an organic growth rate of 14.6%.

(B) Belux

€m	Consolidated (constant standards)	
	2018	2017
Revenue	28.4	25.0
EBITDA	2.4	1.9
%	8.3%	7.5%

Belux's profit margin is better than anticipated, and the organic growth rate is 13.8%.

(C) Switzerland

€m	Consolidated (constant standards)	
	2018	2017
Revenue	25.4	23.2
EBITDA	2.8	2.6
%	10.8%	11.1%

The figures for Switzerland in Q1 include Sword Performance, which was sold in late March. Organic growth in 2018 was unusually high at 49.6%.

(D) UK

€m	Consolidated (constant standards)	
	2018	2017
Revenue	42.7	26.4
EBITDA	3.9	2.0
%	9.0%	7.6%

The UK had a stable scope in 2018. Organic growth came to 22.6%.

(E) Other (Offshore + Other)

€m	Consolidated (constant standards)	
	2018	2017
Revenue	11.7	13.6
EBITDA	1.5	1.9
%	12.6%	13.9%

This geographic region's revenue was affected by the sale of Sword Performance Switzerland as this company's African subsidiaries were sold at the end of Q1. Excluding the companies sold, the organic growth rate was 5.6%.

GRAND TOTAL

	Consolidated (constant standards)	
€m	2018	2017
Revenue	194.3	173.5
EBITDA	27.2	27.8
%	14.0%	16.0%

Group head count as at 31/12/2018

2018	Billable workforce			Non-billable workforce	Total
	Staff	Sub-contractors	Total		
Software	115	14	129	25	154
IT Services	833	641	1,474	119	1,593
Offshore	187	102	289	7	296
Holding company	-	-	-	24	24
Total	1,135	757 (1)	1,892	175	2,067 (2)

(1) 356 full-time equivalents
(2) 1,781 full-time equivalents

Significant events occurring after year end
Effective from 3 January 2019, the Group acquired 100% of Magique Galileo Software Limited, a company incorporated in the UK – an acquisition involving an amount of KGBP 2,000 (equivalent to some K€2,218), excluding earn out. Magique Galileo Software is a company specialising in GRC solutions for the banking and insurance sector, so this transaction allows the Group to expand its product range and increase its presence in the sector.

The new company resulting from the merger between Sword Active Risk and Magique Galileo Software Limited will be called Sword GRC and will be based in Maidenhead, in the premises currently occupied by Sword Active Risk.

In February 2019, the Group established Sword Corporation, a Canada-based subsidiary worth KCAD 264.

Outlook for 2019
The Group forecasts organic growth of 12% (on a like-for-like basis and at constant exchange rates) for 2019. The budgeted revenue is €200 million[+] with an EBITDA margin of 13%[+] in line with IFRS 16.

Assessment of the value of goodwill and other intangible assets
An accountancy firm assisted the Group with goodwill impairment testing. The results of these tests are described in Note 17.3 to the consolidated financial statements.

Approval of the consolidated financial statements
We invite you to approve the consolidated financial statements for the year ended 31 December 2018 (balance sheet, income statement and notes) as submitted to you and which reveal a total consolidated profit of K€86,405 (of which the Group share is K€86,079).

Activities of Sword Group – presentation of the corporate accounts

Company activities in the financial year 2018 – Balance sheet and income statement
In the year 2018, the number of Sword Group employees stood at an average of one person.

Sword Group continued to perform its role of providing operational, strategic and financial leadership for the Group during 2018.

Pursuant to the new presentation required for the corporate financial statements, the figures for the previous financial year were reclassified for accounting purposes. The main figures for the year are as follows:

In €	Year N	Year N-1
Revenue	3,578,441	3,427,731
Other operating income	4,167,649	74,494
Other external charges	-7,474,117	-2,790,883
Personnel expenses	-158,826	-139,813
Depreciation on operating assets	-89,706	-89,222
Operating profit	23,441	482,307
Value adjustments on financial assets	2,315,137	-4,693,768
Financial income	45,985,071	3,996,637
Finance costs	-1,905,888	-2,904,067
Financial result	46,394,320	-3,601,198
Current profit before tax	46,417,761	-3,118,891
Tax	-64,790	340,497
Profit/loss	46,352,971	-2,778,394

Risk factors
The Company has conducted a review of the risks and is of the opinion that there are no significant risks other than those described below.

Risks related to the activity and fixed-price contracts
Fixed-price services mitigate the effects of intercontract risks on a day-to-day basis. However, they increase the end-of-project risk and reinforce the issue of keeping the team busy between two projects.

The Software segment is exposed to a limited risk, as Sword's strategy is based on upgrading existing products rather than creating new products from scratch.

Sword Group's industrial methodological approach makes it possible to guarantee results while keeping to the budget and the schedule. This approach, which is based on the ISOPRO quality-assurance system, has the following features:

- compliance with ISO 9001;
- a strong commitment by Sword's Executive Management;
- the day-to-day involvement of all engineers during project execution.

For Sword Group, project quality assurance is not limited to simply drafting a Quality Assurance Plan (QA Plan). This plan's effectiveness depends on its full adoption by the various project stakeholders and is subject to quality monitoring. During the project, various participants are involved and take action that contributes to the quality of the end product.

A Quality Assurance approach to a project entails:

- the documentation of the project's priority objectives;
- the implementation of the rules and the means deployed to achieve them;
- the implementation of the rules and the means deployed to control them;
- the proper targeting of actions required for the project, thereby increasing the effectiveness and level of the service provided.

However, teamwork is required to achieve a quality product. Quality Assurance channels all the project stakeholders' actions to ensure the success of the project and achieve the required level of quality. However, this is no substitute for everybody having the appropriate expertise and motivation, which are the basic prerequisites for a quality product.

The backlog as at 31 December 2018 was 24 months of revenue as compared to the budgeted revenue for 2019. Part of this revenue relates to years subsequent to 2019.

The backlog includes 'signed + weighted' orders. By 'signed' we mean any order received formally; by '80% weighted' we mean a verbal order; by '50% weighted' we mean there are now two companies on the shortlist; and by '30% weighted' we mean we are on a shortlist without there being any indication of the number of remaining applicants.

Each project is monitored monthly. In the year 2018, the total of days gained and lost as compared to the initial estimates for the cost of projects was positive as a result of the systematic application of the ISOPRO method. However, any delay in a project means that all overruns estimated with respect to the project's initial budget are immediately recognised in profit or loss in the form of commercial concessions (= excess time assigned to the project not recognised in revenue).

Generally, billing for software components enables Sword Group to achieve more profitability, which may, as the case may be, alleviate the consequences of overspending on projects.

At the recommendation of the Audit Committee, internal controls were carried out:

- control of reports, contracts and investments made in Switzerland;
- auditing of major contracts;
- auditing of infrastructure in Lyon.

Client risks

Risk of default

Sword Group identified no significant risk in terms of client payments.

In addition, historically speaking, the Group has an outstanding client loyalty rate. This rate represents the number of repeat clients calling on Sword Group's services in a given year (year N), compared with the number of clients the previous year (year N-1).

Competition risk

The competition risk is very low due to:

- Sword Group's technological edge;
- its functional knowledge of its clients' areas of activity;
- the dispersion of its competitors, who are very different from each other;
- the nature of its clients (for example, the European institutions), requiring a considerable initial investment.

This extensive array of competition types is actually a major benefit, especially when the customer requires a wide range of skills for its integration projects, for instance.

Sword Group's 10 largest clients accounted for 21% of consolidated revenue in 2018.

The leading client accounted for 4.7% of consolidated revenue in 2018.

Risks related to IT security and technological progress

As far as hardware and local networks are concerned, a seven-strong team is dedicated to maintaining our infrastructure and, in particular, our daily data backups, which are stored in fireproof cabinets.

In addition, a civil-liability insurance policy allows us to cover all risks relating to damage caused by our employees at client sites.

Last but not least, capitalising on our know-how with our software components allows us to confidently grasp the technological advances of our partners and suppliers.

Liquidity risk
The Company has negotiated contracts to open credit lines with several banks to finance general corporate requirements and external growth.

	Drawdowns	Available	Covenants
Total drawing rights	K€20,000	K€110,000	Net consolidated financial debt/consolidated EBITDA less than 3.5 Net consolidated financial debt/consolidated equity less than 1

Also see Note 24 to the consolidated financial statements, which complement the previous table.
Promissory note drawing rights: additional information see Note 24 to the consolidated financial statements.
Default and early collection clauses: see Note 24.3 to the consolidated financial statements.
Financial liabilities: see Note 24 to the consolidated financial statements.
Other bank borrowings: see Note 24 to the consolidated financial statements.

The Group has no difficulty gaining access to loans (long-term relationship with Sword Group's partner banks).

Market risks
See Note 4.3 to the consolidated financial statements.

Exchange-rate risk
See Note 4.3.1 to the consolidated financial statements.

Interest-rate risk
See Note 4.3.2 to the consolidated financial statements.

Equity risk

Treasury shares
The Company may end up holding treasury shares under the share repurchase programme authorised by the Extraordinary General Meeting on 28 April 2017, redeemable at 5% of its share capital for a period of five (5) years.
The objectives of share ownership under this programme are as follows:
- to provide stability for the market or liquidity as part of a liquidity contract entered into with a certified provider;
- to purchase for exchange or payment as part of external growth operations;
- to cancel shares up to a maximum of 5% of the Company's share capital, over a period of 24 months, subject to its Extraordinary General Meeting of Shareholders authorising its capital reduction.

The same Extraordinary General Meeting held on 28 April 2017 authorised the Board of Directors to reduce the share capital by cancelling shares acquired through the Company's treasury share repurchase programme, up to a maximum of 5% of its share capital and for a period of five (5) years.

As at 31 December 2018, Sword Group held 17,302 treasury shares.

Equity investments
Investments are selected from those that pose no real risk, i.e. risk-free cash UCITS shares, which can be used or disposed very quickly and present no risk of impairment loss in case of interest-rate fluctuations.

Among its financial assets as at 31 December 2018, Sword Group held interests in the following companies:
- SBT: As at 31 December 2018, Sword Group held 38,861 shares in this company. As at 31 December 2017, the fair value was K€330. The change in fair value was recognised in equity.
- Interests held in other companies, the main one being Instant System (fair value of K€250).

Excluding treasury shares, the portfolio remains marginal.

Risk factors related to the acquisition policy

Sword Group is pursuing its external growth targets, although its primary goal remains internal growth.

The Group's external growth policy has the following objectives:

- to acquire additional skills;
- to expand its geographic scope;
- to strengthen existing lines of business.

The Group limits the risks arising from this policy in the following ways:

- closely involving senior management in rolling out acquisitions;
- systematically conducting external audits.

Legal risks

There are no current general legal risks due to business activities, apart from any commercial or technical risks that may result from the outcome of work in progress. These detected risks are systematically subject to a relevant provision whenever these are regarded as likely.

As at 31 December 2018, management is unaware of any other general legal risks that would need to be subject to provisions that are not already in place.

Dependence on senior executives and key members of staff

Unlike other companies that rely on individuals to leverage their know-how, Sword Group is built firmly upon software components which are improved from one project to the next and which enable this know-how to not be lost should a particular employee leave.

Insurance and risk coverage

The Company's general insurance policy involves three main areas:

- operations/post-delivery/professional civil liability for all Group companies;
- liability for the senior executives and corporate officers of Sword Group;
- All Travel Risks liability.

Its general policy aims to cover risks having a significant financial impact and for which the Group is unable to insure itself financially.

The guarantee levels of the first-line civil liability insurance contract are as follows:

NATURE OF GUARANTEES	LIMITS OF GUARANTEES	EXCESS per claim
BODILY INJURY of which NEGLIGENCE	**€10,000,000** per claim and **€15,000,000** per year of insurance **€5,000,000** per claim and per year of insurance	**NONE**
CONSEQUENTIAL OR NON-CONSEQUENTIAL MATERIAL AND NON-MATERIAL DAMAGE including **DAMAGE USA/CANADA**	**€10,000,000** per claim and **€15,000,000** per year of insurance	**€75,000** except for operations civil liability €3,000
ACCIDENTAL HARM TO THE ENVIRONMENT (ALL TYPES OF DAMAGE)	**€1,000,000** per year of insurance	**€3,000** for all damage other than bodily injury
DEFENCE	included in the guarantee	**NONE** Except where provided for in Article 2.2.2. of the Special Agreements (USA/Canada)
LITIGATION	**€50,000** per dispute	**NONE**
ADDITIONAL GUARANTEES PERFORMANCE GUARANTEE ADDITIONAL INSURED CUSTOMER GUARANTEE	 Included Included	

Sword Group has also taken out second-line insurance to double the guarantee levels for the first-line civil liability insurance. The guarantees of the second-line contract are €10,000,000 per claim and €15,000,000 per additional year of insurance and/or after exhaustion of the €10,000,000 per claim and €15,000,000 per year of insurance provided for in the first-line contract.

Liability insurance for senior executives, de jure and de facto, including corporate officers, covers those subsidiaries in which Sword Group is the majority shareholder and encompasses, on behalf of the insured parties, the defence costs and financial consequences of legal action against them incurring their personal liability in their role, up to the policy limit (€15,000,000 per claim).

All Travel Risks insurance covers employees on business trips.

An analysis of the main risks involved in the Group's activities and which can and must be insured reveals that these are normally covered by an insurance contract taken out with companies known to be solvent.

Extraordinary events and current litigation

To the Company's knowledge, apart from litigation that has been provided for in the accounts, there have not been any events or litigation that could lead to such a situation and could have or have had an impact on the results in the last 12 months, the financial position or the assets of Sword Group or any of its subsidiaries.

Provisions setup policy

The level of provisions for risks and contingencies is due to Business Unit Directors' rigorous approach regarding the risks covered.

Provisions are recognised for these risks and contingencies on the basis of the best estimate of costs likely to be incurred. The total sum of provisions for risks and contingencies stand at K€4,843 in the consolidated financial statements as at 31 December 2018.

Shareholder structure

Breakdown of capital at year end (31 December 2018):

Shareholders	Number of shares	% of voting rights
Financière Sémaphore	1,706,280	17.9%
Eximium	2,179,068	17.1%
Treasury shares	17,302	-
Employees and miscellaneous registered shareholders	185,562	1.9%
Floating stock	5,456,753	57.2%
Total	9,544,965	-

Variations in the share price:

2018	As at 31 January 2019
Highest closing price: €38.00 (on 3 September 2018)	Highest closing price: €33.25 (on 29 January 2019)
Lowest closing price: €27.95 (from 20 to 22 November 2018)	Lowest closing price: €28.45 (on 3 January 2019)
Number of shares traded on the stock market: 11,874 [1]	Number of shares traded on the stock market: 7,292 [2]

[1] This is the average number of shares traded daily in 2018, a year in which 3,027,906 shares were traded in all.
[2] This is the average number of shares traded in January 2019, a month in which 160,433 shares were traded in all.

Information on the acquisition and sale by the Company of treasury shares as at 31 December 2018:

Number of shares held by the Company as at 31 December 2017:	10,671
Number of shares purchased in 2018	107,772
Number of shares sold in 2018	101,141
Number of shares held by the Company as at 31 December 2018	17,302

The Company acquired treasury shares in accordance with the authorisation granted by the Extraordinary General Meeting of 28 April 2017 in its Resolution 8 relating to the agreed objectives of that meeting.

Issuer's statement regarding transactions involving treasury shares as at 31 December 2018:

Percentage of capital held by the issuer either directly or indirectly	0.2%
Number of shares cancelled in the past 24 months	-
Number of shares held	17,302
Portfolio carrying amount as at 31 December 2018	€545,874
Portfolio market value as at 31 December 2018	€501,758

	Accumulated gross flows in 2018		**Outstanding positions as at 31 December 2018**	
Number of shares	Purchases 107,772	Sales 101,141	For purchase	For sale
Maximum average	-	-	-	-
Average price	€34.10	€34.59	-	-
Average exercise price	-	-	-	-
Amounts	€3,674,904.20	€3,498,237.56	-	-

Sword Group did not use derivatives in this share repurchase programme.

Proposed allocation of profit or loss

We invite you to approve the corporate accounts for the year ended 31 December 2018 (balance sheet, income statement and notes) as submitted to you and which reveal a profit of €46,352,971.61. We would hereby like to remind you that the sum of €501,758.01 appears under *'Reserve for treasury shares'* as the company held 17,302 treasury shares as at 31 December 2018.

Therefore, we suggest that the result be allocated as follows.

Profit for the financial year	€46,352,971.61
with the addition of the following items:	
from distributable profit or loss carried forward:	€130,091,125.36
plus the share premium:	€70,676,064.46
resulting in a distributable profit of:	€247,120,161.43
which Is appropriated to the following items:	
Dividends*	€11,453,958.00
Interim dividends (paid in 2018)	€34,316,434.80
Profit or loss carried forward	€201,349,768.63

*** The net dividend per share would be €1.20.**

In terms of taxation, in accordance with Luxembourg law, dividend distributions are in principle subject to 15% withholding tax in Luxembourg.

However, this rate can be reduced under both tax treaties signed by Luxembourg and European law, depending on the tax residence of the beneficiary and under the beneficiary's own responsibility. In such a case, a refund request shall be sent to the Luxembourg tax authorities no later than 31 December of the year following the payment of the withholding tax, using Form 901*bis* (https://impotsdirects.public.lu/fr/formulaires/retenue_a_la_source.html).

In addition, subject to tax treaties and the legislation applicable in the beneficiary's country of residence, any withholding tax in Luxembourg will be eligible for a tax credit of the same amount on the tax due in that country of residence.

For information purposes, in the view of the French authorities, conventional tax credits related to the proceeds of securities of European companies registered in a PEA share savings plan and whose issuers do not have their headquarters in France are not entitled to reimbursement, in so far as income from shares invested in the PEA is tax-exempt income (see e.g. BOI-RPPM-RCM-40-50-30-20150115 of 15 January 2015).

Cross-shareholdings

The Company has not had to perform transfers of shares to put an end to cross-shareholdings prohibited by Article 430-23 of the Law of 10 August 1915 on commercial companies, as amended.

Operations conducted by senior executives involving shares during the year

None

Table of authorisations for capital increases
None

Financial instruments
As part of the acquisition of AAA Group Ltd in 2015, buyback options for 791 shares issued by Sword Charteris Ltd, representing 31% of its capital and held by individuals holding executive management positions in AAA Ltd, were granted to Sword Soft Ltd. These buyback could be exercised at any time in a period commencing on 31 December 2019 and ending on 1 December 2025 provided that certain return targets (expressed in percentage of revenue and EBIDTA growth) were not met. The exercise price (GBP 2,077 per share) was the price paid by the holders of these shares.

In 2017, given the prospects for Sword Charteris Ltd and the conditions for exercising the options, these options had no value. During the year 2018, the options were cancelled following the purchase of additional shares issued by Sword Charteris Ltd.

Agreements covered by Article 441-7 of the Law of 10 August 1915 on commercial companies, as amended – Special report
Your attention is drawn to the fact that the Company entered into, in respect of the period ended 31 December 2018, two agreements falling within the scope of Article 441-7 of the Law of 10 August 1915 on commercial companies, as amended, one regarding the payment of a success fee to the financial company Sémaphore S.à r.L. following its close involvement in the sale of Apak, a non-consolidated company sharing a common senior executive. This transaction, which falls within the scope of Article 441-7 of the Law of 10 August 1915 on commercial companies, as amended, and Article 16 of the Memorandum and Articles of Association, was conducted under market conditions verified and approved by the Board of Directors.

The Board of Directors also authorised the signing of an agreement with Le Connecteur, a company whose aim is to seek investment targets for Sword Group and belonging to Financière Sémaphore, a non-consolidated company sharing a common senior executive. This transaction, which falls within the scope of Article L-441-7 of the Law of 10 August 1915 on commercial companies, as amended, was conducted under market conditions and in accordance with the statutory conditions and the conditions of the Memorandum and Articles of Association verified and approved by the Board of Directors.

The presentation of the financial report, including the special report, is provided for in the first resolution of the Ordinary General Meeting (draft text of resolutions) and must be approved by the shareholders before they can move on to any other resolutions.

Offices and positions held by the Company's senior executives
In accordance with the recommendations set out in the principles of corporate governance of the Luxembourg Stock Exchange, please find below the list of all offices and positions the Company's corporate officers held in any French or foreign companies during the year ended 31 December 2018.

Role	Duration	Company	End date of term
Jacques Mottard: Chairman of the Board of Directors			
Executive Chairman Director General Manager	4 years	Sword Group SE	31/12/2019 (*)
Director	Unlimited	Active Risk Group Ltd	Unlimited period
Director	Unlimited	Active Risk Ltd	Unlimited period
Director	Unlimited	Active Risk Inc.	Unlimited period
Director	Unlimited	Active Risk Australia	Unlimited period
Chairman and Director	1 year	Eurogenia	31/12/2019 (*)
Director	Unlimited	Magic Galileo	Unlimited period
Director	Unlimited	Minttulip Ltd	Unlimited period
Director	Unlimited	Mobile Productivity Ltd	Unlimited period
Chairman and Director	1 year	Swissgenia	31/12/2019 (*)
Director	Unlimited	Sword Achiever Ltd	Unlimited period
Director	Unlimited	Sword Charteris	Unlimited period
Chairman	Unlimited	Sword Connect	Unlimited period
Director	Unlimited	Sword General Partner Ltd	Unlimited period
Director	Unlimited	Sword Global India	Unlimited period
Chairman and Director	6 years	Sword Integra	31/12/2024 (*)
Director	Unlimited	Sword IT Solutions Ltd	Unlimited period
Chairman of the Board of Directors	Unlimited	Sword Lebanon	Unlimited period
Partner	Unlimited	Sword Middle East FZ LLC	Unlimited period
Chairman of the Board and Director	6 years	Sword S.A.	31/12/2020 (*)
Manager and Chairman	1 year	Sword S.à r.L.	31/12/2018 (*)
Chairman and Director	1 year	Sword Services S.A.	31/12/2018 (*)
Chairman and Director	Unlimited	Sword Soft Ltd	Unlimited period
Manager	Unlimited	Sword Sol	Unlimited period
Chairman	Unlimited	Sword Solutions Inc.	Unlimited period
Managing Director	6 years	Sword Technologies S.A. (Luxembourg)	31/12/2020 (*)
Chairman and Director	1 year	Sword Technologies S.A. (Switzerland)	31/12/2019 (*)
Director	Unlimited	Sword Technology Solutions Ltd	Unlimited period
Chairman and Director	1 year	Sword Suisse Holding	31/12/2018 (*)

Positions held outside the Group			
Role	Duration	Company	End date of term
Director and Chairman	1 year	Ardéva S.A.	31/12/2018 (*)
Director	1 year	Bella Tola S.A.	31/12/2018 (*)
Manager	Unlimited	Financière Sémaphore S.à r.l.	Unlimited period
Director	1 year	INEA IT Group S.A.	31/12/2018 (*)
Manager	Unlimited	Maya	Unlimited period
Chairman of the Board and Director	1 year	Orny Holding S.A.	31/12/2018 (*)
Manager	Unlimited	Ruitor S.à r.L.	Unlimited period
Manager	Unlimited	SARL Le Connecteur	31/12/2018 (*)
Manager	Unlimited	SCCV Cervin	31/12/2018 (*)
Manager	Unlimited	SCI Banga	Unlimited period
Manager	Unlimited	SCI Combin	Unlimited period
Manager	1 year	SCI Decan	31/12/2018 (*)
Member of the Supervisory Board	10 years	Talence Gestion	Unlimited period
Director	1 year	Veisivi Holding S.A.	31/12/2018 (*)

(*) General Meeting approving the accounts for the year

Nicolas Mottard: Director			
Role	Duration	Company	End date of term
Director	4 years	Sword Group SE	31/12/2019 (*)

(*) General Meeting approving the accounts for the year

François-Régis Ory: Director/Chairman of the Audit Committee			
Role	Duration	Company	End date of term
Chairman of the Audit Committee	4 years	Sword Group	31/12/2019 (*)
Director	4 years	Sword Group	31/12/2019 (*)
Positions held outside the Group			
Chairman	Unlimited	L'Améliane SAS	Unlimited period
Chairman	Unlimited	Florentiane SAS	Unlimited period
Chairman	Unlimited	Lypolyane SAS	Unlimited period
Director	6 years	Medicrea International S.A.	31/12/2020 (*)
Chairman	Unlimited	ABM Medical SAS	Unlimited period
Chairman	Unlimited	ABM Ile de France SAS	Unlimited period
Chairman	Unlimited	ABM Nord SAS	Unlimited period
Manager	Unlimited	ABM Rhône Alpes S.à r.L.	Unlimited period
Manager	Unlimited	ABM Sud S.à r.L.	Unlimited period
Chairman	Unlimited	SASU Le Refuge de Bacchus	Unlimited period
Manager	Unlimited	SCI de Chanas	Unlimited period
Manager	Unlimited	SCI L'Amaury	Unlimited period
Manager	Unlimited	SCI L'Amelaïs	Unlimited period
Manager	Unlimited	SCI Florine	Unlimited period

(*) General Meeting approving the accounts for the year

Frédéric Goosse: Director/General Manager			
Role	Duration	Company	End date of term
Director	4 years	Sword Group	31/12/2019 (*)
General Manager	4 years	Sword Group	31/12/2019 (*)
Director	Unlimited	Active Risk Group Ltd	Unlimited period
Director	Unlimited	Active Risk Ltd	Unlimited period
Director	1 year	Eurogenia	31/12/2019 (*)
Director	Unlimited	Mobile Productivity Ltd	Unlimited period
Director	Unlimited	Sword Soft Ltd	Unlimited period
Manager	Unlimited	Sword Sol	Unlimited period
Director	Unlimited	Sword Solutions Inc.	Unlimited period
Director	6 years	Sword Technologies	31/12/2020 (*)
Positions held outside the Group			
Director	6 years	Alcancia	Ordinary General Meeting 2023 (*)
Co-manager	Unlimited	Financière Sémaphore	Unlimited period
Manager	Unlimited	PME Xpertise	Unlimited period

(*) General Meeting approving the accounts for the year

François Barbier: Director/Member of the Audit Committee			
Role	Duration	Company	End date of term
Director	4 years	Sword Group	31/12/2019 (*)
Member of the Audit Committee	4 years	Sword Group	31/12/2019 (*)
Positions held outside the Group			
Deputy General Manager	2 years	21 Centrale Partners	31/12/2018 (*)
Director	2 years	21 Invest SpA	31/12/2019 (*)
Chairman and Director	1 year	Advanced Coffee Investment (Swiss company)	31/12/2019 (*)
Chairman of the Supervisory Board	Open-ended	Daltys	Open-ended period
Member of the Supervisory Board	1 year	Financière Eclat	AG: accounts as at 28 February 2019
Permanent representative of MG Participations on the Board of Directors	1 year	Mandarine Gestion	31/12/2019
Chairman	Open-ended	Hexagramme (asset management company)	Open-ended period

(*) General Meeting approving the accounts for the year

PACBO Europe: Director/Appointed temporarily by the Board of Directors' meeting held on 20 November 2013			
Role	Duration	Company	End date of term
Director	4 years	Sword Group	31/12/2019 (*)
Positions held outside the Group			
Director	N/C	Alphabet S.A.	N/C
Director	N/C	Argos S.A.	N/C
Director	N/C	Cafra S.A.	N/C
Director	N/C	Cippus S.A.	N/C
Director	N/C	Deltainvest S.A.	N/C
Director	N/C	Diorasis International	N/C
Director	N/C	Domanial S.A., SPF	N/C
Director	N/C	Emanimmo S.A.	N/C
Director	N/C	FDD, Financière de développement S.A.	N/C
Manager	N/C	Felix S.à r.l.	N/C
Director	N/C	Fiver S.A. SPF	N/C
Director	N/C	Gladinvest S.A.	N/C
Director	N/C	Gravey S.A.	N/C
Director	N/C	Grevlin S.A.	N/C
Director	N/C	Haute Horlogerie Benelux S.A.	N/C
Director	N/C	Helen Holdings S.A.	N/C
Director	N/C	Hiorts Finance S.A.	N/C
Director	N/C	Jezara Holdings S.A.	N/C
Director	N/C	Jufine S.A.	N/C
Director	N/C	Lagomar S.A.	N/C
Director	N/C	Lux-Food S.A.	N/C
Director	N/C	Luxad S.A.	N/C
Director	N/C	MHDS Investments S.A.	N/C
Director	N/C	Nicoba S.A.	N/C
Director	N/C	Ormylux S.à r.L.	N/C
Director	N/C	Parmeria S.A. SPF	N/C
Director	N/C	Philubis S.A.	N/C
Director	N/C	Saran S.A.	N/C

Manager	N/C	Sophialux S.à r.L.	N/C
Director	N/C	Sovimo S.A.	N/C
Director	N/C	Tibergest S.A.	N/C
Director	N/C	TMPARIF S.A.	N/C
Director	N/C	TreeTop Asset Management Luxembourg	N/C
Director	N/C	TreeTop Belgium S.A.	N/C
Director	N/C	Wertex S.A.	N/C
Director	N/C	West Indies Invest S.A.	N/C

(*) General Meeting approving the accounts for the year

Compensation for corporate officers

The presentation of compensation for corporate officers below is consistent with the relevant recommendation (No. 8) of the principles of corporate governance of the Luxembourg Stock Exchange relating to information on compensation for such officers.

Table 1: Summary of compensation and options and shares allocated to each corporate officer

Jacques Mottard	**31/12/2018**	**31/12/2017**
Compensation due for the year *(detailed in Table 2)*	€66,391 [(1)]	€45,163 [(1)]
Valuation of the options allocated during the year *(detailed in Table 3)*	N/A	N/A
Valuation of the performance shares allocated during the year *(detailed in Table 5)*	N/A	N/A
TOTAL	€66,391	€45,163

(1) Financière Sémaphore S.à r.L., a company owned by Jacques Mottard, billed Sword Group SE for services and recharged miscellaneous fees for a total amount of:
- for the year ended 31 December 2018: €861,742.72 (excl. tax);
- for the year ended 31 December 2017: €520,130.52 (excl. tax).

At its meeting on 30 November 2018, the Board of Directors decided to pay Jacques Mottard a gross monthly sum of €1,600 for his duties as Chairman as from 1 January 2019. This compensation amounted to a total of €12,000 in respect of the year ended 31 December 2018.

Nicolas Mottard	**31/12/2018**	**31/12/2017**
Compensation due for the year *(detailed in Table 2)*	€15,000	€15,000
Valuation of the options allocated during the year *(detailed in Table 3)*	N/A	N/A
Valuation of the performance shares allocated during the year *(detailed in Table 5)*	N/A	N/A
TOTAL	€15,000	€15,000

Frédéric Goosse	**31/12/2018**	**31/12/2017**
Compensation due for the year *(detailed in Table 2)*	€20,000	€20,000
Valuation of the options allocated during the year *(detailed in Table 3)*	N/A	N/A
Valuation of the performance shares allocated during the year *(detailed in Table 5)*	N/A	N/A
TOTAL	€20,000	€20,000

François Barbier	**31/12/2018**	**31/12/2017**
Compensation due for the year *(detailed in Table 2)*	€20,000	€20,000
Valuation of the options allocated during the year *(detailed in Table 3)*	N/A	N/A
Valuation of the performance shares allocated during the year *(detailed in Table 5)*	N/A	N/A
TOTAL	€20,000	€20,000

François-Régis Ory	**31/12/2018**	**31/12/2017**
Compensation due for the year *(detailed in Table 2)*	€20,000	€20,000
Valuation of the options allocated during the year *(detailed in Table 3)*	N/A	N/A
Valuation of the performance shares allocated during the year *(detailed in Table 5)*	N/A	N/A
TOTAL	€20,000	€20,000

Patrice Crochet	**31/12/2018**	**31/12/2017**
Compensation due for the year *(detailed in Table 2)*	€20,000	€20,000
Valuation of the options allocated during the year *(detailed in Table 3)*	N/A	N/A
Valuation of the performance shares allocated during the year *(detailed in Table 5)*	N/A	N/A
TOTAL	€20,000	€20,000

Table 2: Summary of compensation for each corporate officer

Jacques Mottard	**Amount as at 31/12/2018**		**Amount as at 31/12/2017**	
	Due	Paid	Due	Paid
Fixed compensation	€12,000	€12,000	€8,500	€8,500
Variable compensation	€0	€0	€0	€0
Special compensation	€0	€0	€0	€0
Directors' fees	€13,138	€13,138	€12,819	€12,819
Benefits in kind	€41,253	€41,253	€23,844	€23,844
TOTAL	€66,391	€66,391	€45,163	€45,163

Table 2 is only completed for Jacques Mottard because for the other officers the sums are solely made up of directors' fees.

Table 3: Share subscription or purchase options allocated during the year to each corporate officer by the company or by any Group company
Not applicable

Table 4: Share subscription or purchase options exercised during the year by each corporate officer
Not applicable

Table 5: Performance shares allocated to each corporate officer
Not applicable

Table 6: Performance shares that became available during the year for each corporate officer
Not applicable

Table 7: History of allocations of share subscription or purchase options
No subscription option schemes are currently in place.

Table 8: Share subscription or purchase options allocated to the top 10 employees who are not corporate officers and options they have exercised
Not applicable

Table 9:

	Employment contract		Top-up retirement plan		Allowances or benefits due or likely to be due as a result of termination or a change of role		Allowances related to a non-competition clause	
Corporate officers	Yes	No	Yes	No	Yes	No	Yes	No
J. Mottard - Executive Chairman		X		X		X		X

Directors' fees
We propose that the directors' fees paid to members of the Board of Directors be set at €95,000.

Reappointment of the statutory auditor
The term of Mazars Luxembourg S.A., *Cabinet de Révision Agréé* (approved audit firm), is due to expire at this meeting. We therefore invite you to reappoint this firm for a further period of one year or for a term expiring after the meeting called to approve the accounts for the year ended 31 December 2019.

Authorisation and powers granted to the Board of Directors for the company to purchase treasury shares
The Extraordinary General Meeting held on 28 April 2017 implemented a new share repurchase programme that will be subject to the provisions of Articles 430-15 and 461-2 of the Law of 10 August 1915 on commercial companies, as amended, EU Regulation No. 2273/2003 of 22 December 2003 and the Company's Memorandum and Articles of Association.

The repurchase programme has the following objectives:

- to provide stability for the market or liquidity as part of a liquidity contract entered into with a certified provider;
- to purchase for exchange or payment as part of external growth operations;
- to allocate payouts to employees;
- to cancel shares up a maximum that cannot exceed 5% of the Company's share capital, over a period of 24 months.

Authorisation to proceed accordingly is granted under the following conditions:

- the number of shares purchased by the Company pursuant to such authorisation may not exceed 5% of the share capital, including shares purchased under authorisations previously granted by the General Meeting of Shareholders; within the limits specified by Articles 430-15 et 461-2 of the Law of 10 August 1915 on commercial companies, as amended, the maximum number of shares that may be acquired by the end of this programme may not result in the Company's net assets dropping below the amount of the Company's subscribed capital, supplemented by reserves which are not allowed to be distributed by law or under the Memorandum and Articles of Association;

- the acquisition price of each share in the Company may not be less than 85% of the closing market price on the day before the transaction date or greater than 115% of the closing market price on the day before the transaction date, excluding acquisition costs;
- the shares may be acquired through stock-market purchases, in blocks or over the counter at market prices prevailing at that time or at a lower price;
- this authorisation was granted for a maximum period of five years, i.e. until 28 April 2022.

The Board invites you, after reading the various reports presented to you, to adopt the resolutions submitted for your approval.

Jacques Mottard
Executive Chairman, Sword Group

11 REPORT OF THE *RÉVISEUR D'ENTREPRISES AGRÉÉ* (STATUTORY AUDITOR) ON THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

Opinion

We have audited the financial statements of Sword Group S.E (the "Company"), which comprise the balance sheet as at 31 December 2018, and the profit and loss account for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the financial statements.

Basis for Opinion

We conducted our audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 on the audit profession (Law of 23 July 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" (CSSF). Our responsibilities under those Regulation, Law and standards are further described in the « Responsibilities of the "Réviseur d'Entreprises Agréé" for the Audit of the Financial Statements » section of our report. We are also independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Reasons for which a key audit matter has been raised	Response to the identified key audit matter
Shares in associates and other interests	
As at 31 December 2018, the Company owns a number of subsidiaries, recognised at acquisition cost, which may be subject to value adjustments in case of a permanent decrease in their value. The valuation of these investments is significant for our audit, given the carrying amount thereof and the judgement required in assessing the permanent nature of any value adjustment.	Tests of substantive details have been conducted to ensure the existence of investments as well as the reconciliation of movements of shareholders' funds in the course of the year. We assessed management's handling of indicators of potential losses. In this assessment, the net carrying amount is used as a starting point for evaluating whether a loss is permanent, in addition to a qualitative analysis. We have also reviewed the adequacy of the information in Notes 5.1 'Shares in affiliated undertakings' and 5.2 'Investments in companies with which there is a shareholding link'.

Key observations communicated to those charged with governance	Based on the audit procedures carried out, we have identified no material misstatements.

Reasons for which a key audit matter has been raised	**Response to the identified key audit matter**
Revenue recognition	
The Company provides management services, as described in Note 10 to the financial statements, to various subsidiaries. International Standards on Auditing require auditors to assume a fraud risk in revenue recognition when initially assessing the risk of material misstatements.	Our procedures included evaluating the income recognition method for management services contracts and the design and effectiveness of management controls regarding income-recognition analysis and the identification of unusual contractual conditions. Detailed substantive procedures have been carried out with regard to the cost-plus analysis and testing of the calculation of management fees and margin validation.
Key observations communicated to those charged with governance	Based on the audit procedures carried out, we have identified no material misstatements.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the management report and the Corporate Governance Statement but does not include the financial statements and our report of the "Réviseur d'Entreprises Agréé" thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and Those Charged with Governance for the Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the financial statements, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the "Réviseur d'Entreprises Agréé" for the Audit of the Financial Statements

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the "Réviseur d'Entreprises Agréé" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- Conclude on the appropriateness of Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "Réviseur d'Entreprises Agréé" to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the "Réviseur d'Entreprises Agréé". However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter.

Report on Other Legal and Regulatory Requirements

We have been appointed as "Réviseur d'Entreprises Agréé" by the General Meeting of the Shareholders on 27 April 2018 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 7 years.

The management report is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

The Corporate Governance Statement, as published on the Company's website http://www.sword-group.com , is the responsibility of the Board of Directors. The information required by Article 68ter paragraph (1) letters c) and d) of the amended law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended, is consistent, at the date of this report, with the financial statements and has been prepared in accordance with applicable legal requirements.

We confirm that the audit opinion is consistent with the additional report to the Audit Committee or equivalent.

We confirm that the prohibited non-audit services referred to in the EU Regulation No 537/2014, on the audit profession were not provided and that we remain independent of the Company in conducting the audit.

Other matter

The Corporate Governance Statement includes information required by Article 68ter paragraph (1) of the amended law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended.

Luxembourg, 28 March 2019

For MAZARS LUXEMBOURG, Cabinet de révision agréé
10A, rue Henri M. Schnadt
L – 2530 Luxembourg

Olivier BIREN
Réviseur d'entreprises agréé (statutory auditor)

ASSETS AS AT 31 DECEMBER 2018

		Reference(s)		Current year		Previous year
A. Subscribed capital unpaid	1101		101	0,00	102	0,00
I. Subscribed capital not called	1103		103	0,00	104	0,00
II. Subscribed capital called but unpaid	1105		105	0,00	106	0,00
B. Formation expenses	1107		107	0,00	108	0,00
C. Fixed assets	1109		109	212 926 725,18	110	210 618 062,67
I. Intangible assets	1111	4.1	111	64 763,94	112	115 353,82
1. Costs of development	1113		113	0,00	114	0,00
2. Concessions, patents, licences, trade marks and similar rights and assets, if they were	1115		115	64 763,94	116	103 851,44
a) acquired for valuable consideration and need not be shown under C.I.3	1117		117	64 763,94	118	103 851,44
b) created by the undertaking itself	1119		119	0,00	120	0,00
3. Goodwill, to the extent that it was acquired for valuable consideration	1121		121	0,00	122	0,00
4. Payments on account and intangible assets under development	1123		123	0,00	124	11 502,38
II. Tangible assets	1125	4.2	125	0,00	126	0,00
1. Land and buildings	1127		127	0,00	128	0,00
2. Plant and machinery	1129		129	0,00	130	0,00

The notes hereafter form an integral part of the annual accounts.

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ASSETS (CONTINUED)

	Code	Reference(s)	Code	Current year	Code	Previous year
3. Other fixtures and fittings, tools and equipment	1131		131	0,00	132	0,00
4. Payments on account and tangible assets in the course of construction	1133		133	0,00	134	0,00
III. Financial assets	1135	5	135	212 861 961,24	136	210 502 708,85
1. Shares in affiliated undertakings	1137	5.1	137	212 531 642,74	138	207 815 642,74
2. Loans to affiliated undertakings	1139		139	0,00	140	0,00
3. Participating interests	1141	5.2	141	0,00	142	2 436 412,66
4. Loans to undertakings with which the undertaking is linked by virtue of participating interests	1143		143	0,00	144	0,00
5. Investments held as fixed assets	1145	5.3	145	330 318,50	146	250 653,45
6. Other loans	1147		147	0,00	148	0,00
D. Current assets	1151		151	35 395 732,02	152	30 337 046,29
I. Stocks	1153		153	0,00	154	0,00
1. Raw materials and consumables	1155		155	0,00	156	0,00
2. Work in progress	1157		157	0,00	158	0,00
3. Finished goods and goods for resale	1159		159	0,00	160	0,00
4. Payments on account	1161		161	0,00	162	0,00
II. Debtors	1163		163	23 129 467,09	164	17 909 272,91
1. Trade debtors	1165		165	84 701,10	166	75 425,38
a) becoming due and payable within one year	1167		167	84 701,10	168	75 425,38
b) becoming due and payable after more than one year	1169		169	0,00	170	0,00
2. Amounts owed by affiliated undertakings	1171		171	21 352 803,29	172	14 514 754,48
a) becoming due and payable within one year	1173	9.1	173	21 352 803,29	174	14 514 754,48
b) becoming due and payable after more than one year	1175		175	0,00	176	0,00
3. Amounts owed by undertakings with which the undertaking is linked by virtue of participating interests	1177		177	0,00	178	302 150,58
a) becoming due and payable within one year	1179	9.3	179	0,00	180	302 150,58
b) becoming due and payable after more than one year	1181		181	0,00	182	0,00
4. Other debtors	1183	6	183	1 691 962,70	184	3 016 942,47
a) becoming due and payable within one year	1185		185	948 530,61	186	1 068 333,75
b) becoming due and payable after more than one year	1187		187	743 432,09	188	1 948 608,72

The notes hereafter form an integral part of the annual accounts.

ASSETS (CONTINUED)

		Reference(s)		Current year		Previous year
III. Investments	1189		189	501 758,01	190	356 641,38
1. Shares in affiliated undertakings	1191		191	0,00	192	0,00
2. Own shares	1209	7.4	209	501 758,01	210	356 641,38
3. Other investments	1195		195	0,00	196	0,00
IV. Cash at bank and in hand	1197		197	11 764 506,92	198	12 071 132,00
E. Prepayments	1199		199	279 065,24	200	308 716,58
TOTAL (ASSETS)			201	248 601 522,44	202	241 263 825,54

The notes hereafter form an integral part of the annual accounts.

LIABILITIES

		Reference(s)		Current year		Previous year
A. Capital and reserves	1301	7, 7.3	301	223 804 946,14	302	223 210 684,13
I. Subscribed capital	1303	7.1, 7.3	303	9 544 965,00	304	9 544 965,00
II. Share premium account	1305	7.1, 7.3	305	70 676 064,46	306	70 676 064,46
III. Revaluation reserve	1307		307	0,00	308	0,00
IV. Reserves	1309		309	1 456 254,51	310	1 311 137,88
1. Legal reserve	1311	7.2, 7.3	311	954 496,50	312	954 496,50
2. Reserve for own shares	1313	7.4, 7.3	313	501 758,01	314	356 641,38
3. Reserves provided for by the articles of association	1315		315	0,00	316	0,00
4. Other reserves, including the fair value reserve	1429		429	0,00	430	0,00
a) other available reserves	1431		431	0,00	432	0,00
b) other non available reserves	1433		433	0,00	434	0,00
V. Profit or loss brought forward	1319	7.3	319	130 091 125,36	320	144 456 910,61
VI. Profit or loss for the financial year	1321	7.3	321	46 352 971,61	322	-2 778 393,82
VII. Interim dividends	1323	7.3	323	-34 316 434,80	324	0,00
VIII. Capital investment subsidies	1325		325	0,00	326	0,00
B. Provisions	1331		331	46 340,00	332	0,00
1. Provisions for pensions and similar obligations	1333		333	0,00	334	0,00
2. Provisions for taxation	1335	15	335	0,00	336	0,00
3. Other provisions	1337		337	46 340,00	338	0,00
C. Creditors	1435		435	24 750 236,30	436	18 053 141,41
1. Debenture loans	1437		437	0,00	438	0,00
a) Convertible loans	1439		439	0,00	440	0,00
i) becoming due and payable within one year	1441		441	0,00	442	0,00
ii) becoming due and payable after more than one year	1443		443	0,00	444	0,00
b) Non convertible loans	1445		445	0,00	446	0,00
i) becoming due and payable within one year	1447		447	0,00	448	0,00
ii) becoming due and payable after more than one year	1449		449	0,00	450	0,00
2. Amounts owed to credit institutions	1355	8	355	20 042 097,43	356	17 034 319,76
a) becoming due and payable within one year	1357		357	42 097,43	358	34 319,76
b) becoming due and payable after more than one year	1359		359	20 000 000,00	360	17 000 000,00

The notes hereafter form an integral part of the annual accounts.

LIABILITIES (CONTINUED)

	Reference(s)	Current year	Previous year
3. Payments received on account of orders in so far as they are shown separately as deductions from stocks	1361	361 0,00	362 0,00
a) becoming due and payable within one year	1363	363 0,00	364 0,00
b) becoming due and payable after more than one year	1365	365 0,00	366 0,00
4. Trade creditors	1367	367 1 138 746,12	368 650 231,86
a) becoming due and payable within one year	1369	369 1 138 746,12	370 650 231,86
b) becoming due and payable after more than one year	1371	371 0,00	372 0,00
5. Bills of exchange payable	1373	373 0,00	374 0,00
a) becoming due and payable within one year	1375	375 0,00	376 0,00
b) becoming due and payable after more than one year	1377	377 0,00	378 0,00
6. Amounts owed to affiliated undertakings	1379 9.1	379 3 003 565,71	380 38 872,16
a) becoming due and payable within one year	1381	381 3 003 565,71	382 38 872,16
b) becoming due and payable after more than one year	1383	383 0,00	384 0,00
7. Amounts owed to undertakings with which the undertaking is linked by virtue of participating interests	1385	385 0,00	386 0,00
a) becoming due and payable within one year	1387	387 0,00	388 0,00
b) becoming due and payable after more than one year	1389	389 0,00	390 0,00
8. Other creditors	1451	451 565 827,04	452 329 717,63
a) Tax authorities	1393	393 563 185,90	394 327 135,00
b) Social security authorities	1395	395 2 641,14	396 2 582,63
c) Other creditors	1397	397 0,00	398 0,00
i) becoming due and payable within one year	1399	399 0,00	400 0,00
ii) becoming due and payable after more than one year	1401	401 0,00	402 0,00
). Deferred income	1403	403 0,00	404 0,00
TOTAL (CAPITAL, RESERVES AND LIABILITIES)		405 248 601 522,44	406 241 263 825,54

The notes hereafter form an integral part of the annual accounts.

PROFIT AND LOSS ACCOUNT AS AT 31 DECEMBER 2018

	Reference(s)	Current year	Previous year
1. Net turnover	1701 10	701 3 578 441,39	702 3 427 731,34
2. Variation in stocks of finished goods and in work in progress	1703	703 0,00	704 0,00
3. Work performed by the undertaking for its own purposes and capitalised	1705	705 0,00	706 0,00
4. Other operating income	1713 11	713 4 167 649,05	714 74 494,46
5. Raw materials and consumables and other external expenses	1671	671 -7 366 877,62	672 -2 688 684,06
a) Raw materials and consumables	1601	601 -5 268,84	602 -4 247,21
b) Other external expenses	1603 11	603 -7 361 608,78	604 -2 684 436,85
6. Staff costs	1605 12	605 -158 825,69	606 -139 812,83
a) Wages and salaries	1607	607 -142 825,57	608 -123 801,11
b) Social security costs	1609	609 -16 000,12	610 -16 011,72
i) relating to pensions	1653	653 -9 693,11	654 -9 593,16
ii) other social security costs	1655	655 -6 307,01	656 -6 418,56
c) Other staff costs	1613	613 0,00	614 0,00
7. Value adjustments	1657	657 -1 386 817,45	658 -1 869 260,43
a) in respect of formation expenses and of tangible and intangible fixed assets	1659 4	659 -89 705,76	660 -89 221,54
b) in respect of current assets	1661 13.1	661 -1 297 111,69	662 -1 780 038,89
8. Other operating expenses	1621 17	621 -107 238,89	622 -102 200,00

The notes hereafter form an integral part of the annual accounts.

PROFIT AND LOSS ACCOUNT AS AT 31 DECEMBER 2018 (CONTINUED)

		Reference(s)		Current year		Previous year
9. Income from participating interests	1715		715	44 900 004,42	716	2 760 792,32
a) derived from affiliated undertakings	1717	14	717	44 900 004,42	718	2 760 792,32
b) other income from participating interests	1719		719	0,00	720	0,00
10. Income from other investments and loans forming part of the fixed assets	1721		721	0,00	722	0,00
a) derived from affiliated undertakings	1723		723	0,00	724	0,00
b) other income not included under a)	1725		725	0,00	726	0,00
11. Other interest receivable and similar income	1727		727	1 085 066,69	728	1 235 845,31
a) derived from affiliated undertakings	1729	9.1	729	727 381,66	730	753 243,04
b) other interest and similar income	1731		731	357 685,03	732	482 602,27
12. Share of profit or loss of undertakings accounted for under the equity method	1663		663	0,00	664	0,00
13. Value adjustments in respect of financial assets and of investments held as current assets	1665	13.2	665	2 315 136,65	666	-4 693 767,84
14. Interest payable and similar expenses	1627		627	-608 776,94	628	-1 124 028,24
a) concerning affiliated undertakings	1629	9.1	629	-12 797,04	630	-4 674,67
b) other interest and similar expenses	1631		631	-595 979,90	632	-1 119 353,57
15. Tax on profit or loss	1635	15	635	0,00	636	6 420,00
16. Profit or loss after taxation	1667		667	46 417 761,61	668	-3 112 469,97
17. Other taxes not shown under items 1 to 16	1637	15	637	-64 790,00	638	334 076,15
18. Profit or loss for the financial year	1669		669	46 352 971,61	670	-2 778 393,82

The notes hereafter form an integral part of the annual accounts.

13 NOTES TO THE 2018 FINANCIAL STATEMENTS

Note 1: General information

Sword Group SE, hereinafter referred to as "the Company", is a European company (*Societas Europaea*, or SE) whose registered office was transferred on 26 March 2012 from France to Luxembourg.

The Company's purpose is:

- to acquire by way of participation, contribution, subscription, underwriting, purchase option or negotiation or in any other manner any securities, titles, rights, patents and licences and other rights in rem, personal rights and interests, such as the Company deems necessary;
- generally to hold, manage, develop and sell them in whole or in part, for the price that the Company deems fit and in particular in return for shares or securities of any company purchasing them;
- to conclude, assist with or take part in financial, business or other transactions;
- to grant to any holding company, subsidiary or any other company associated in one way or another with the Company or any company belonging to the same group of companies (the "Associate") any assistance, loans, advances, guarantees or sureties (in the last two cases, including to third parties lending to the Associate);
- to borrow or raise funds in any manner whatsoever and to guarantee the repayment of any borrowed funds;
- to provide administrative consultancy services or carry out any other research, development and supervisory activities; any consultancy and production activities in the field of information systems;
- generally to conduct any sort of activity that might seem incidental or facilitate the attainment of all or any one of the above purposes;
- to conduct any commercial, technical and financial tasks, directly or indirectly connected to the areas described above, to facilitate the accomplishment of its purpose;
- to act directly or indirectly and carry out all these operations on its own behalf or on behalf of third parties, either alone or with any other person or company, either by itself or in association with company groupings or associations, doing so in any form; also to acquire interests and shareholdings in any companies or business deals of any nature whatsoever; generally to hold, manage, develop and sell them in whole or in part, for the price that the Company deems fit and in particular in return for shares or securities of any company purchasing them;
- to conclude, assist with or take part in financial, business or other transactions;
- to grant to any holding company, subsidiary or any other company associated in one way or another with the Company or any company belonging to the same group of companies (the "Associate") any assistance, loans, advances, guarantees or sureties (in the last two cases, including to third parties lending to the Associate);
- to borrow or raise funds in any manner whatsoever and to guarantee the repayment of any borrowed funds;
- to provide administrative consultancy services or carry out any other research, development and supervisory activities; any consultancy and production activities in the field of information systems;
- generally to conduct any sort of activity that might seem incidental or facilitate the attainment of all or any one of the above purposes;
- to conduct any commercial, technical and financial tasks, directly or indirectly connected to the areas described above, to facilitate the accomplishment of its purpose.

Note 1: General (continued)
The company could act directly or indirectly and carry out all these operations on its own behalf or on behalf of third parties, either alone or with any other person or company, either by itself or in association with company groupings or associations, and doing so in any form; also to acquire interests and shareholdings in any companies or business deals of any nature whatsoever.

The Company, having its registered office in Windhof, was established for an indefinite period on 22 June 2001.

The Company prepares consolidated financial statements in accordance with the Law of 19 December 2002 on the accounting and annual accounts of companies in Luxembourg, as amended (hereinafter referred to as "the Law of 19 December 2002, as amended"). The Company is listed on NYSE Euronext in Paris under ISIN number FR0004180578.

The consolidated financial statements are available on the Company's website at the following address: https://www.sword-group.com/en/investors/

Note 2: Significant accounting policies

The Company keeps its books in euros. The financial statements have been prepared in accordance with Luxembourg legal and regulatory requirements under the historical-cost convention. The financial year coincides with the calendar year.

Accounting policies and valuation rules are – besides the ones laid down by the Law of 10 August 1915, as amended – defined by the Board of Directors. The preparation of the financial statements requires the use of certain critical accounting estimates by the Board of Directors which exercises its judgement in the process of applying the accounting policies. Any change in accounting estimates can give rise to a significant impact on the financial statements. The Board of Directors believes that the assumptions associated with these estimates are appropriate and that the financial statements present the Company's financial position and results fairly.

The Company makes estimates and assumptions that may affect the reported amounts of assets and liabilities in the next period. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Note 3: Valuation rules

3.1 Intangible assets

Intangible assets are recognised on the assets side of the balance sheet at historical cost, including incidental expenses, less depreciation calculated based on the estimated useful lives of property and value adjustments. Value adjustments are not continued if the reasons behind them no longer apply. This item, depreciated at a straight-line rate of 33%, is represented by a software licence and a website.

3.2 Property, plant and equipment

Property, plant and equipment is recognised on the assets side of the balance sheet at historical cost, including incidental expenses, less depreciation calculated based on the estimated useful lives of property and value adjustments. Value adjustments are not continued if the reasons behind them no longer apply. This item is depreciated at a straight-line rate of 20% and is represented by computer hardware.

3.3 Financial assets

Financial assets are valued at historical cost, including incidental expenses or par value (loans and receivables). In the event of an impairment which, in the opinion of the Board, is of a permanent nature, financial assets are subject to value adjustments. Value adjustments are not continued if the reasons behind them no longer apply.

In order to determine the existence of any value adjustments relating to shares in affiliated undertakings, the Board of Directors took as its basis the difference between the net carrying amount of each investment and the relevant recoverable amount, determined on the basis of three-year cash-flow forecasts.

3.4 Receivables

Receivables are recognised at their nominal amount. They are subject to value adjustments when their recovery is compromised. Value adjustments are not continued if the reasons behind them no longer apply.

3.5 Securities

The securities represented by shares in money market funds are measured at their fair value which is the latest price available as at the reporting date. Unrealised gains and losses are recognised in the profit and loss account.

The securities represented by treasury shares in the Company are valued at their acquisition price, including incidental expenses. A value adjustment is recognised when the historical cost is less than the market price. According to the provisions of Article 430-18 of the Law of 10 August 1915 on commercial companies, as amended, an unavailable reserve with the value of treasury shares included in the balance sheet has been established on the liabilities side.

The market value corresponds to the latest price available on the day of valuation for securities officially allowed to be listed on the exchange or on another regulated market.

3.6 Deferred charges and accrued income

This item comprises expenses recognised during the year but which are attributable to a subsequent year.

3.7 Provisions

At the end of each year, provisions are made to cover losses or debts which are clearly defined in nature but which, on the reporting date, are either probable or certain and yet the amount or date of payment is uncertain, for all foreseeable risks and costs. Provisions relating to prior periods are reviewed regularly and recognised in profit or loss if they are no longer required.

3.8 Payables

Payables are recognised at their reimbursement value. Payables are recognised as contingent liabilities when their status is subject to unsecured debts.

3.9 Conversion of foreign-currency accounts

All transactions denominated in a currency other than the euro are recognised at the exchange rate prevailing at the transaction date. As at the reporting date:

- All assets denominated in currencies other than the euro, with the exception of bank deposits, securities, short-term receivables and fixed assets, are individually valued at the lowest value, the historical exchange rate or the value determined on the basis of exchange rates prevailing as at the reporting date.

- All liabilities denominated in currencies other than the euro, with the exception of short-term debt, are valued individually at the highest value, the historical exchange rate or the value determined on the basis of exchange rates prevailing as at the reporting date.

- Bank deposits, securities, receivables and short-term debt, by their liquid nature, denominated in currencies other than the euro, are valued at the exchange rate prevailing on the reporting date.

- All fixed assets denominated in currencies other than the euro are converted into euros at the historical exchange rate prevailing as at the transaction date. As at the reporting date, these fixed assets are converted at the historical exchange rate.

Income and expenses in currencies other than the euro are converted into euros at the exchange rate prevailing as at the transaction date. Therefore, only realised foreign-exchange gains and losses and unrealised foreign-exchange losses are recognised in the profit and loss statement.

3.10 Revenue

Revenue includes amounts resulting from services rendered by the Company to shares in affiliated undertakings, net of any sales rebates and of value-added tax and other taxes related to sales.

3.11 Comparability of financial years

Pursuant to Article 29 (2) of the Law of 19 December 2002, an item on the balance sheet for the previous financial year was reclassified for accounting purposes, in particular tax provision. This was reclassified from 'Tax provision' to 'Other creditors – Tax authorities', being worth €327,135.00.

Note 4: Intangible and tangible assets

4.1 Intangible assets

In the year ended 31 December 2018, intangible assets developed as follows:

	Dealerships Patents and licences	Advances paid	TOTAL
Purchase price at beginning of the year	266,830.27	11,502.38	278,332.65
Newly consolidated companies	23,779.38	15,336.50	39,115.88
Transfers	26,838.88	(26,838.88)	0.00
Purchase price at year end	317,448.53	0.00	317,448.53
Value adjustments at the beginning of the year	(162,978.83)	-	(162,978.83)
Charges for the year	(89,705.76)	-	(89,705.76)
Reversals for the year	-	-	-
Value adjustments at year end	(252,684.59)	-	(252,684.59)
Net amount at year end	**64,763.94**	**-**	**64,763.94**
Net amount at beginning of the year	**103,851.44**	**11,502.38**	**115,353.82**

4.2 Property, plant and equipment

For the year ended 31 December 2018, property, plant and equipment have developed as follows:

	Investments held as fixed assets	Other fixtures, tools and furniture	TOTAL
Purchase price at beginning of the year	19,294.00	40,592.04	59,886.04
Newly consolidated companies	-	-	-
Deconsolidations	-	-	-
Purchase price at year end	19,294.00	40,592.04	59,886.04
Value adjustments at beginning of the year	(19,294.00)	(40,592.04)	(59,886.04)
Charges for the year	-	-	-
Reversals for the year	-	-	-
Value adjustments at year end	(19,294.00)	(40,592.04)	(59,886.04)
Net amount at year end	**-**	**-**	**-**
Net amount at beginning of the year	**-**	**-**	**-**

Note 5: Financial assets

For the year ended 31 December 2018, financial assets developed as follows:

	Shares in affiliated undertakings	Investments in companies with which there is a shareholding link	Investments and other financial instruments held as fixed assets	TOTAL
Purchase price at opening	212,561,642.74	3,482,188.39	456,911.04	216,500,742.17
Newly consolidated companies	-	-	-	-
Deconsolidations	-	-	(124,828.23)	(124,828.23)
Transfers	2,436,412.66	(3,482,188.39)	1,045,775.73	-
Purchase price at year end	214,998,055.40	-	1,377,858.54	216,375,913.94
Value adjustments at beginning of the year	(4,746,000.00)	(1,045,775.73)	(206,257.59)	(5,998,033.32)
Charges for the year	(2,436,412.66)	-	-	(2,436, 412.66)
Reversals for the year	4,716,000.00	-	204,493.28	4,920,493.28
Amount carried forward from the year	-	1,045,775.73	(1,045,775.73)	-
Value adjustment at year end	(2,466,412.66)	-	(1,047,540.04)	(3,513,952.70)
Net amount at year end	**212,531,642.74**	**-**	**330,318.50**	**212,861,961.24**
Net amount at beginning of the year	**207,815,642.74**	**2,436,412.66**	**250,653.45**	**210,502,708.85**

5.1 Shares in affiliated undertakings

Following an agreement signed by shareholders on 31 December 2018, the Company took control of Tipik Communication Agency S.A., without acquiring any additional shareholding in that business.

As at 31 December 2018, the Board of Directors believes that:

- for Sword Sol S.à r.L., Sword Solutions Inc. and Sword Suisse Holding, the companies' value exceeds the historical acquisition price;
- for Sword Soft Ltd, the company's value exceeds the historical acquisition price, and therefore the value adjustment recognised for its shares, amounting to €4,716,000.00 in 2017, was cancelled in 2018;
- for Tipik Communication Agency S.A., the shares were fully depreciated (in a depreciation worth €2,436,412.66) in 2018;
- for Sword Création Informatique Ltd, the shares have been fully depreciated (in a depreciation worth €30,000.00) since 2015.

In order to determine the existence of any value adjustments relating to shares in affiliated undertakings the Board of Directors took as its basis the difference between the net carrying amount of each investment and the relevant recoverable amount, determined on the basis of three-year cash-flow forecasts.

Note 5: Financial assets (continued)

5.1 Shares in affiliated undertakings (continued)

On 31 December 2018, investments in shares in affiliated undertakings were represented by:

Subsidiary name	% held	Purchase price	Equity as at 31/12/2018	Profit or loss as at 31/12/2018
Sword Création Informatique Ltd (Waterfall Crescent North, Waterfall Park, Vorna Valley, Midrand, South Africa)	100%	30,000.00	14,842	15,848
Sword Soft Ltd (1000 Great West Road, Brentford, Middlesex, TW8 9DW, UK)	100%	161,366,200.00	90,287,154	78,694,889
Sword Sol S.à r.L. (2 Rue d'Arlon, 8399 Windhof, Luxembourg)	100%	18,849,792.32	17,646,167	3,067,912
Sword Solutions Inc. (30 Broad Street, 14th Floor, New York, NY 10004, USA)	100%	1,302,000.00	1,674,587	(31,082)
Sword Suisse Holding S.A. (19 Avenue des Baumettes, 1020 Renens, Switzerland)	100%	31,013,650.42	20,599,119	3,327,187
Tipik Communication Agency S.A. (270 Avenue de Tervueren, 1150 Brussels, Belgium)	49%	2,436,412.66	(2,149,791)	(3,030,125)
		214,998,055.40		

5.2 Investments in companies with which there is a shareholding link

Following the takeover of Tipik Communication Agency S.A. on 31 December 2018 (see Note 5.1), the securities of Tipik Communication Agency S.A., recognised at a historical price of €2,436,412.66, were transferred to 'Shares in affiliated undertakings'.

The securities of Lyodssoft HK, recognised at a historical price of €1,045,778.73, were transferred to 'Investments held as fixed assets', as the Company was found to hold only 9% rather than 20%.

As at 31 December 2018, the Company no longer holds any shareholdings.

5.3 Investments held as fixed assets

During the year ended 31 December 2018, the liquidation of Tooxme S.A. was completed. The historical purchase price of €124,828.23 was fully provided for in 2017. For the year 2018 it was considered that this sum was no longer recoverable.

As at 31 December 2018, the Board of Directors decided to:

- reverse the value adjustment of €79,665.05 for the securities of Scientific Brain Training, bringing the net carrying amount of these securities to €330,318.50; and
- to maintain the value adjustment of €1,045,778.73 for the securities of Lyods Engineering Limited (formerly Lyodssoft HK), a company having its registered office in Hong Kong.

Note 6: Other receivables

As at 31 December 2018 and as at 31 December 2017, the Company had a receivable of €446,400.81 in respect of one of Tipik Communication Agency S.A.'s main shareholders. The Board of Directors does not consider this receivable doubtful.

As at 31 December 2018, the Company granted loans to executive management of Group subsidiaries in connection with financing the acquisition of minority interests in Group subsidiaries. The amount of the loans and interest accrued as at 31 December 2018 was €1,240,746.89 (compared with €2,341,621.70 as at 31 December 2017), of which €743,432.09 was repayable in more than one year (compared with €1,948,608.72 as at 31 December 2017).

Note 7: Equity

7.1 Subscribed capital

As at 31 December 2018 and as at 31 December 2017, the share capital stood at €9,544,965, represented by 9,544,965 shares with a par value of €1 each, fully paid up. The share capital is accompanied by a share premium of €70,676,064.46.

7.2 Legal reserve

Each year, a fixed percentage of 5% of the net profit, after absorption of deferred losses, if applicable, will be allocated to the legal reserve. The deduction will no longer be compulsory when the reserve reaches 10% of the share capital. The reserve cannot be distributed.

7.3 Changes in equity accounts

For the period ended 31 December 2018, the changes were as follows:

	01/01/2018	Allocation of profit or loss	Profit for the year	Dividends paid	Treasury shares	31/12/2018
Share capital	9,544,965.00					9,544,965.00
Share premium	70,676,064.46					70,676,064.46
Legal reserve	954,496.50					954,496.50
Reserve for treasury shares	356,641.38				145,116.63	501,758.01
Profit or loss carried forward	144,456,910.61	-2,778,393.82		-11,442,274.80	-145,116.63	130,091,125.36
Interim dividends	-			-34,316,434.80		-34,316,434.80
Profit for the year	-2,778,393.82	2,778,393.82	46,352,971.61			46,352,971.61
TOTAL	**223,210,684.13**	**-**	**46,352,971.61**	**-45,758,709.60**		**223,804,946.14**

7.4 Treasury shares

As at 31 December 2018, there were 17,302 treasury shares recognised amounting to a total of €501,758.01, recognised under 'Securities'.

According to the provisions of Article 430-18 of the Law of 10 August 1915 on commercial companies, as amended, an unavailable reserve for the amount of treasury shares included in the balance sheet has been established on the liability side, i.e. a total amount of €501,758.01.

Treasury shares listed as securities were acquired to support the market price of the Sword Group share.

Note 8: Amounts owed to credit institutions

No bank debt has a maturity of over five years. No debt is covered by collateral. As at 31 December 2018, the breakdown of bank debt was as follows:

	Amount drawn down	Authorised amount
Bank debt due in more than one year	20,000,000.00	130,000,000.00
Bank debt due within one year	-	-
Interest and commission payable	42,097.43	-
	20,042,097.43	

Classification of amounts owed to credit institutions due in more than one year

Bank debt due in more than one year comprises floating-rate syndicated loans that are subject to drawdowns by the Company in the form of promissory notes whose term can vary from one to six months. To classify outstanding promissory notes at the end of the year end as financial debt due in more than one year, the following aspects were taken into account:

- the ability of the Company, without opposition on the part of the banks that granted the loans, to renew the drawdowns for a period of at least one year (all credit openings valid as at 31 December 2018 cannot be reduced by the banks within a 12-month period);
- the Company's desire to utilise that form of funding within the 12 months ahead.

Bank covenants

The Company pledges to maintain, in accordance with the covenant clauses:
- a net consolidated debt/consolidated EBITDA ratio of less than 3.5 or 3, depending on the agreement;
- a net consolidated financial debt/consolidated equity ratio of less than 1.

Should the Company fail to comply with the aforementioned covenants, the lending banks can demand the reimbursement of the outstanding loan, amounting to €20,000,000 as at 31 December 2018. As at 31 December 2018, the Company complied with these covenants.

Note 9: Related-party transactions

9.1 In respect of shares in affiliated undertakings

As at 31 December 2018, balance-sheet items concerning shares in affiliated undertakings were as follows:

	Amounts owed by shares in affiliated undertakings falling due in less than one year	**Amounts owed to shares in affiliated undertakings falling due in less than one year**
Sword Technologies S.A. (LU)	13,140,914.57	-
Sword Charteris Limited (UK)	5,164,785.05	-
Sword IT Solutions Inc. (UK)	1,962,378.46	-
Sword Solutions Inc. (USA)	-	1,512,440.22
Active Risk Inc. (USA)	-	1,480,969.31
Miscellaneous shares in affiliated undertakings	1,084,725.21	10,156.18
	21,352,803.29	3,003,565.71

The main balance-sheet items listed above are generated primarily by cash pooling. The main current accounts between Group companies are paid at rates ranging between 1.74% and 3.24%, corresponding to market conditions applicable to each subsidiary.

During the year ended 31 December 2018, the following events occurred:

- The Company waived an amount of €1,000,000 with a clawback provision in relation to the current account of Sword Technologies S.A. As at 31 December 2018, there was a current-account waiver with a clawback provision in relation to Sword Technologies S.A. amounting to €7,625,000. Sword Technologies S.A.'s current account of €13,140,914.57 already takes this current-account waiver into consideration.
- As at 31 December 2018, there was a current-account waiver with a clawback provision from Tipik Communication Agency S.A. amounting to €6,124,381.96. See Note 9.3.

For the year ended 31 December 2018, the main types of income and expenses in respect of shares in affiliated undertakings were as follows:

	Expenses	**Income**
Management services	-	3,578,441.39
Dividends	-	44,900,004.42
Subcontracting/miscellaneous fees	305,099.00	-
Marketing expenses	647,292.50	-
Other miscellaneous expenses	22,477.46	4,138,077.41
Interest on current account	12,797.04	727,381.66
Current-account waiver with clawback provision	1,000,000.00	-
Foreign-exchange income	83,804.90	-
	2,071,470.90	53,343,904.88

Note 9: Related-party transactions (continued)

9.2 In respect of non-consolidated companies sharing common executive management

For the year ended 31 December 2018, Financière Sémaphore S.à r.L., a Luxembourg company, invoiced the following services:

- assistance to the Company's general management: €361,742.72;
- success fees related to sales/acquisitions: €500,000.00.

9.3 In respect of companies with which there is a shareholding link

Before the takeover of Tipik Communication Agency S.A. (see Note 5.1)

Following the voluntary dissolution of FI System Belgium S.A. in 2015, during the financial year the Company took on a receivable in respect of Tipik Communication Agency S.A. for €1,072,231.38 and a waiver of receivables with clawback provision for the same amount. As at 31 December 2017, the balance of the receivable in respect of Tipik Communication Agency amounted to €302,150.58. This was the subject of a complete waiver with clawback provision during the year 2018. See Note 9.1.

Note 10: Net revenue

During the year ended 31 December 2018, revenue was €3,578,441.39 and comprised services for all of the Group's subsidiaries.

The breakdown by geographical area was as follows:

- Europe: 94%;
- North America: 4%;
- Oceania: 1%;
- Asia: 1%.

Note 11: Other operating income/other external charges

During the year ended 31 December 2018, other operating income mainly comprised the recharging of fees/acquisition and sale fees to shares in affiliated undertakings directly involved in the relevant investment, totalling €4,138,077.41. See Note 9.1.

During the year ended 31 December 2018, other external charges comprised acquisition and sale fees, amounting to €4,529,387.88, and fees relating to managing the holding and its subsidiaries, amounting to €2,837,489.74.

Note 12: Staff

During the year ended 31 December 2018, the number of Sword Group employees stood at an average of one person (this was also the case as at 31 December 2017).

Note 13: Value adjustments

13.1 Value adjustments on current assets

For the year ended 31 December 2018, value adjustments on current assets comprised the following items:

- a reversal of value adjustments on receivables in respect of shares in affiliated undertakings for an amount of €5,038.39 (compared with a value adjustment totalling €5,038.39 in 2017);
- a waiver with current-account clawback provision in respect of shares in affiliated undertakings for an amount of€1,000,000 (compared with €1,775,000 as at 31 December 2017). See Note 9.1.
- a waiver with current-account clawback provision in respect of shares in affiliated undertakings for an amount of €302,150.58 (compared with €0 as at 31 December 2017). See Note 9.3.

13.2 Value adjustments on financial assets and on securities that are part of current assets

For the year ended 31 December 2018, value adjustments on financial assets and on securities that were part of current assets comprised the following items:

- a reversal of a value adjustment on shares in affiliated undertakings for an amount of €4,716,000.00 in relation to Sword Soft Ltd. See Note 5.1.
- a reversal of a value adjustment on securities held as fixed assets for an amount of €79,665.05 (compared with €22,232.16 as at 31 December 2017); See Note 5.3.
- a value adjustment for a sum of €44,115.74 (compared with €0 as at 31 December 2017) for treasury shares recognised under 'Securities';
- a value adjustment for a sum of €2,436,412.66 for Tipik Communication Agency S.A. shares; See Note 5.1.

Note 14: Income from financial assets

Income from financial assets was represented by dividends from Company subsidiaries.

Note 15: Taxation

The Company is subject to all taxes applicable to companies with share capital. The Company was definitively taxed until 31 December 2017.

Note 16: Off-balance-sheet commitments

As at 31 December 2018, the Company stood surety for a bank loan granted to Tipik Communication Agency S.A. in which the Company has an 49% shareholding. This surety, which expires on 31 March 2019, is worth €5.5 million. In this connection, the company pledged as collateral a bank account holding €5,500,000.

Note 17: Board of Directors' remuneration

For the year ended 31 December 2018, the directors received fees amounting to €95,000 (as at 31 December 2017, they received the same amount). This amount is included in 'Other operating expenses'.

For the year ended 31 December 2018, no advance or credit was paid to members of the administrative bodies.

Note 18: Fees received by the *Réviseur d'Entreprises Agréé* (statutory auditor)

In accordance with Article 470-1 of the Law of 18 December 2009, as amended, the information specified in Article 444-5 of this amended Law has been omitted. Information on the audit fees is given in the consolidated financial statements and includes the audit fees for the financial statements.

Note 19: Subsequent events

No significant events occurred after the closure of the financial statements ended 31 December 2018.

14 REPORT OF THE *RÉVISEUR D'ENTREPRISES AGRÉÉ* (STATUTORY AUDITOR) ON THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

Opinion

We have audited the consolidated financial statements of Sword Group S.E. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 on the audit profession (Law of 23 July 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" (CSSF). Our responsibilities under those Regulation, Law and standards are further described in the « Responsibilities of the "Réviseur d'Entreprises Agréé" for the Audit of the Consolidated Financial Statements » section of our report. We are also independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Reasons for which a key audit matter has been raised	**Response to the identified key audit matter**
Goodwill impairment	
As at 31 December 2018, goodwill stands at a net value of K€66,200. Under the IFRS standards as adopted by the EU, the Company must perform a goodwill impairment test at least once a year. Impairment tests are significant for our audit in light of the complexity of the valuation process and the judgement and the assumptions adopted which are subject to economic developments and future business conditions.	We checked the cash-flow forecasts included in the annual goodwill impairment tests by considering the exact nature of previous forecasts. For our audit, we also critically examined and tested the key assumptions, methodologies, weighted average cost of capital and other data used and issued by management, for example comparing them with external and historical data, such as external market growth forecasts. We performed a sensitivity analysis within the framework of the valuation model used by the Group. Our department specialising in assessing valuations was integrated into the audit team to assist us with these activities. We focused on the sensitivity of the available margin in cash-

	generating units, evaluating whether any reasonable change in the assumptions could cause the net carrying amount to exceed the estimated value. We assessed the accuracy of previous estimates made by the Board of Directors. We also verified the appropriacy of the information in Note 17.3 to the consolidated financial statements.
Key observations communicated to those charged with governance	Based on the audit procedures carried out, we have identified no material misstatements.

Reasons for which a key audit matter has been raised	**Response to the identified key audit matter**
Revenue recognition	
As detailed in Note 7 to the financial statements, the Group sells its services to various customers and operates in a range of geographical and business sectors. International Standards on Auditing require auditors to assume a fraud risk in revenue recognition when initially assessing the risk of material misstatements. Some of the Group's revenue is generated by large-scale, complex contracts. As a result, it is necessary to assess the conditions under which risks and benefits are transferred to the buyer, in order to evaluate whether the income and expenses should be recognised in the current period.	Our activities include assessing the revenue recognition method for complex contracts. Drawing on the work already carried out by the subsidiaries' auditors, we tested the design and effectiveness of the controls implemented by management relating to analysing revenue recognition and identifying unusual contractual clauses. Our activities included random testing of documentation indicating the delivery of licences or services, including contracts and correspondence with third parties, with a view to ensuring the accuracy and completeness of revenue recognition. We assessed the appropriacy of previous estimates made by management regarding the work in progress.
Key observations communicated to those charged with governance	Based on the audit procedures carried out, we have identified no material misstatements.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the consolidated management report and the Corporate Governance Statement but does not include the consolidated financial statements and our report of the “Réviseur d’Entreprises Agréé” thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and Those Charged with Governance for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs as adopted by the European Union relating to the preparation and presentation of the consolidated financial statements, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the "Réviseur d'Entreprises Agréé" for the Audit of the Consolidated Financial Statements

The objectives of our audit are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the "Réviseur d'Entreprises Agréé" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- Conclude on the appropriateness of Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "Réviseur d'Entreprises Agréé" to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the "Réviseur d'Entreprises Agréé". However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter.

Report on Other Legal and Regulatory Requirements

We have been appointed as "Réviseur d'Entreprises Agréé" by the General Meeting of the Shareholders on 27 April 2018 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 7 years.

The consolidated management report, is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

The Corporate Governance Statement, as published on the Company's website http://www.sword-group.com , is the responsibility of the Board of Directors. The information required by Article 68ter paragraph (1) letters c) and d) of the amended law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended, is consistent, at the date of this report, with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

We confirm that the audit opinion is consistent with the additional report to the Audit Committee or equivalent.

We confirm that the prohibited non-audit services referred to in the EU Regulation No 537/2014, on the audit profession were not provided and that we remain independent of the Group in conducting the audit.

Other matter

The Corporate Governance Statement includes information required by Article 68ter paragraph (1) of the amended law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended.

Luxembourg, 28 March 2019,

For MAZARS LUXEMBOURG, Cabinet de révision agréé
10A, rue Henri M. Schnadt
L – 2530 Luxembourg

Olivier BIREN
Réviseur d'entreprises agréé

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

(in thousands of €)	**Notes**	**31 December 2018**	**31 December 2017 Restated***
ASSETS			
NON-CURRENT ASSETS			
Goodwill	17	66,200	85,870
Other intangible assets	16	6,812	11,918
Property, plant and equipment	15	3,720	7,277
Investments in associates	11	865	2,852
Financial assets at fair value through other comprehensive income	18	649	518
Deferred tax assets	28	1,650	1,438
Other assets	20	2,528	10,253
TOTAL NON-CURRENT ASSETS		82,424	120,126
CURRENT ASSETS			
Trade and other receivables	19	33,496	54,105
Work in progress	8	23,655	-
Current tax assets		2,500	2,026
Other assets	20	7,770	9,209
Cash and cash equivalents	21	112,929	38,479
Prepaid expenses	8	5,341	-
TOTAL CURRENT ASSETS		185,691	103,819
TOTAL ASSETS		**268,115**	**223,945**

* The comparative figures for 31 December 2017 have been restated. See Note 44.

The notes hereafter form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December 2018

(in thousands of €)	Notes	31 December 2018	31 December 2017 Restated*
EQUITY AND LIABILITIES			
EQUITY			
Share capital	36	9,545	9,545
Share premiums		70,676	70,676
Reserves		1,563	230
Retained earnings		66,990	58,375
TOTAL EQUITY – GROUP SHARE		148,774	138,826
Non-controlling interests (minority interests)	10	103	4,213
TOTAL EQUITY		**148,877**	**143,039**
NON-CURRENT LIABILITIES			
Financial debt	24	20,087	17,000
Provisions for retirement benefits	22	1,079	1,015
Other provisions	23	3,022	688
Deferred tax liabilities	28	1,235	1,449
Other liabilities	27	11,944	85
TOTAL NON-CURRENT LIABILITIES		37,367	20,237
CURRENT LIABILITIES			
Financial debt	24	6,349	876
Other provisions	23	2,821	232
Trade and other payables	25	18,028	17,367
Current tax liabilities		520	2,258
Other liabilities	27	26,575	39,936
Prepaid services	8	27,578	-
TOTAL CURRENT LIABILITIES		81,871	60,669
TOTAL LIABILITIES		**119,238**	**80,906**
TOTAL EQUITY AND LIABILITIES		**268,115**	**223,945**

* The comparative figures for 31 December 2017 have been restated. See Note 44.

The notes hereafter form an integral part of the consolidated financial statements.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2018

(in thousands of €)	Notes	31 December 2018	31 December 2017 Restated*
Continuing operations			
Revenue	7, 8	**171,412**	**144,424**
Purchases		(6,191)	(2,840)
Personnel expenses	29	(78,789)	(69,983)
Other external charges		(65,284)	(53,807)
Provision (charges)/write-backs on provisions	30	(1,069)	(323)
Other current operating expenses		(956)	(1,378)
Other current operating income		1,022	874
EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTISATION, EXCLUDING NON-RECURRING ELEMENTS (EBITDA)		**20,145**	**16,967**
EBITDA in %		**11.75%**	**11.75%**
Charges for depreciation of property, plant and equipment		(2,131)	(1,965)
Charges for depreciation of intangible assets arising from business combinations		(1,730)	(2,327)
Charges for depreciation of other intangible assets		(738)	(503)
EARNINGS BEFORE INTEREST AND TAXES, EXCLUDING NON-RECURRING ELEMENTS (EBIT)		**15,546**	**12,172**
EBIT in %		**9.07%**	**8.43%**
Income from disposals of assets and subsidiaries	31	81,155	(222)
Impairment loss on assets	32	(3,041)	(1,375)
Other non-recurring items	33	(7,593)	(1,488)
OPERATING PROFIT (OP)		**86,067**	**9,087**
OP in %		**50.21%**	**6.29%**
Financial income		730	783
Finance costs		(1,740)	(1,998)
FINANCIAL RESULT	**34**	**(1,010)**	**(1,215)**
Share of profit or loss of associates	11	(1,319)	(192)
PROFIT BEFORE TAX		**83,738**	**7,680**
Income tax	28	(1,881)	(3,201)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**81,857**	**4,479**
Discontinued operations			
Profit from discontinued operations, net of tax	14	4,548	6,466
PROFIT FOR THE YEAR		**86,405**	**10,945**
Of which:			
Group share		86,079	10,126
Non-controlling interests (minority interests)		326	819
Earnings per share for the profit for the year – Group share			
Basic earnings per share *(in €)*	35	9.03	1.06

Diluted earnings per share *(in €)*	35	9.03	1.06
Earnings per share – continuing operations			
Basic earnings per share *(in €)*	35	8.55	0.38
Diluted earnings per share *(in €)*	35	8.55	0.38

* The comparative figures for 31 December 2017 have been restated. See Note 44.

The notes hereafter form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

(in thousands of €)	**Notes**	**31 December 2018**	**31 December 2017 Restated***
PROFIT FOR THE YEAR		**86,405**	**10,945**
OTHER COMPREHENSIVE INCOME			
Recyclable items in profit or loss			
Translation differences			
- during the year		1,399	(5,597)
Total recyclable items in profit or loss		1,399	(5,597)
Non-recyclable items in profit or loss			
Defined benefit plans			
- Actuarial gains and losses on post-employment benefits	22	68	(12)
Financial assets at fair value through other comprehensive income			
- gain related to remeasurement at fair value	18	80	22
Total non-recyclable items in profit or loss		148	10
TOTAL OTHER COMPREHENSIVE INCOME, NET OF TAX		**1,547**	**(5,587)**
COMPREHENSIVE INCOME FOR THE YEAR		**87,952**	**5,358**
Of which:			
Group share		87,589	4,871
Non-controlling interests (minority interests)		363	487
Comprehensive income for the year, of which the Group share from the below items is as follows:			
Continuing operations		*82,720*	*(427)*
Discontinued operations		*4,869*	*5,298*

* The comparative figures for 31 December 2017 have been restated. See Note 44.

The notes hereafter form an integral part of the consolidated financial statements.

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

			Reserves							
(in thousands of €)	Share capital	Share premium	Treasury shares	Reserve for remeasurement of financial assets	Defined benefit plans	Foreign-currency translation reserve	Retained earnings	Total	Non-controlling interests (minority interests)	Total equity
BALANCE AS AT 31 DECEMBER 2016	**9,545**	**70,676**	**(1,141)**	**538**	**(56)**	**3,217**	**64,372**	**147,151**	**5,017**	**152,168**
Profit for the year	-	-	-	-	-	-	10,126	10,126	819	10,945
Other comprehensive income	-	-	-	22	(12)	(5,265)	-	(5,255)	(332)	(5,587)
Comprehensive income for the year	-	-	-	22	(12)	(5,265)	10,126	4,871	487	5,358
Repurchase/resale of ordinary shares	-	-	2,927	-	-	-	-	2,927	-	2,927
Payment of dividends	-	-	-	-	-	-	(11,445)	(11,445)	(37)	(11,482)
Transactions between shareholders	-	-	-	-	-	-	(4,678)	(4,678)	(1,254)	(5,932)
BALANCE AS AT 31 DECEMBER 2017 (RESTATED)	**9,545**	**70,676**	**1,786**	**560**	**(68)**	**(2,048)**	**58,375**	**138,826**	**4,213**	**143,039**
Adjustments related to the adoption of IFRS 15	-	-	-	-	-	-	(1,407)	(1,407)	(159)	(1,566)
BALANCE AS AT 1 JANUARY 2018	**9,545**	**70,676**	**1,786**	**560**	**(68)**	**(2,048)**	**56,968**	**137,419**	**4,054**	**141,473**
Profit for the year	-	-	-	-			86,079	86,079	326	86,405
Other comprehensive income	-	-	-	80	68	1,362	-	1,510	37	1,547
Comprehensive income for the year	-	-	-	80	68	1,362	87,079	87,589	363	87,952
Repurchase/resale of ordinary shares	-	-	(177)	-	-	-	-	(177)	-	(177)
Payment of dividends	-	-	-	-	-	-	(45,759)	(45,759)	(171)	(45,930)
Transactions between shareholders [(1)]	-	-	-	-	-	-	(30,298)	(30,298)	(4,143)	(34,441)
BALANCE AS AT 31 DECEMBER 2018	**9,545**	**70,676**	**1,609**	**640**	**-**	**(686)**	**66,990**	**148,774**	**103**	**148,877**

[(1)] See Note 10.3.

The notes hereafter form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

(in thousands of €)	31 December 2018	31 December 2017 (restated)
Cash flows from operating activities		
Profit for the year from continuing operations	81,857	4,479
Profit for the year from discontinued operations	4,548	6,466
Adjustments:		
Depreciation charges	5,444	5,709
Impairment losses on trade receivables	1,389	1,001
Other provision charges/(write-backs on) other provisions	7,670	(261)
Provision charges for employee benefits	128	162
Net capital losses/gains on disposals of non-current assets, net of transaction costs	(81,155)	445
Changes in fair value of earn outs	937	-
Share of profit or loss of associates	1,319	192
Interest income	(342)	(421)
Interest expenses	385	416
Income tax	2,513	4,961
Change in working capital	(5,480)	729
Cash flow generated by operating activities	19,213	23,878
Tax paid	(5,042)	(7,452)
NET CASH FLOWS FROM OPERATING ACTIVITIES	14,171	16,426
Cash flows from investing activities		
Acquisitions/new consolidations:		
- Intangible assets generated internally	(4,346)	(4,556)
- Other intangible assets	(309)	(229)
- Property, plant and equipment	(2,665)	(5,618)
- Investments in associates	(415)	(400)
- Financial assets at fair value through other comprehensive income	(53)	(24)
Disposals/deconsolidations:		
- Property, plant and equipment	126	22
- Financial assets at fair value through other comprehensive income	19	-
Interest received	343	425
Acquisition of control of subsidiaries, net of cash and cash equivalents acquired	1,526	(3,840)
Loss of control of subsidiaries, net of cash and cash equivalents disposed of	124,862	(384)
NET CASH FLOWS FROM/(ALLOCATED TO) INVESTMENT ACTIVITIES	119,088	(14,604)

The notes hereafter form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 December 2018

(in thousands of €)	31 December 2018	31 December 2017
Cash flows from financing activities		
Payment related to the repurchase and resale of ordinary shares	(177)	2,927
Acquisition of non-controlling interests (minority interests)	(15,551)	(6,153)
Consideration received from non-controlling interests (minority interests)	1	1
New loans and use of lines of credit	20,087	7,070
Repayment of loans	(17,000)	-
Interest paid	(518)	(557)
Dividends paid to shareholders in the parent company	(45,759)	(11,445)
Dividends paid to non-controlling interests	(171)	(37)
NET CASH FLOWS ALLOCATED TO FINANCING ACTIVITIES	(59,088)	(8,194)
Net change in cash and cash equivalents	**74,171**	**(6,372)**
Cash and cash equivalents at beginning of the year	37,603	45,458
Change in foreign exchange rate effect	306	(1,483)
CASH AND CASH EQUIVALENTS AT YEAR END	**112,080**	**37,603**

The notes hereafter form an integral part of the consolidated financial statements.

16 NOTES TO THE CONSOLIDATED BALANCE SHEET AND INCOME STATEMENT AS AT 31 DECEMBER 2018 (IN THOUSANDS OF €)

NOTE 1. GENERAL INFORMATION

1.1 Company presentation

Sword Group SE ("the Company") is a European company (*Societas Europaea*, or SE) established under Luxembourg law, having its headquarters at 2 Rue d'Arlon, Windhof (Luxembourg). The Company is registered in the Register of Commerce and Companies of Luxembourg under number B 168.244.

Sword Group, comprising the Company and the companies it controls, specialises in the global delivery of software and IT services for regulated industries and international groups.

Sword Group's activities are organised and managed around two businesses:

- IT Services (also called "Solutions"); and
- Software (also called "Products").

The Group offers a wide range of services, including strategic and operational consulting, solution engineering and application development, project ownership support and project management support, change management and third-party maintenance.

The Company is listed on Euronext Paris (*Compartment B*).

The consolidated financial statements were approved by the Board of Directors on 27 February 2019. The consolidated financial statements will be finalised once approved by the Annual General Meeting on 29 April 2019.

1.2 Major events in 2018

On 16 February 2018, the Group acquired the whole of ID&O S.à r.L., a service company incorporated in Switzerland, for a total sum of K€2,761 excluding earn outs. The purchase agreement provides for an earn outto be made depending on growth in revenue. The earn out will be calculated for the period from 16 February 2018 to 31 December 2020. See Note 12.1. The company has been renamed 'Sword sSà r.L.'.

On 13 February 2018, Active Risk Group Ltd undertook a capital increase of K€1,517 subscribed by individuals holding management positions within Active Risk, reducing the Group's interest in this subsidiary from 100% to 89% as at 31 December 2018. See Note 10.3.5.

On 1 April 2018, the Group repurchased 5% of the shares allocated to the directors of Sword Technologies S.A. This transaction, worth €1.12 million, increased the Group's interest in this subsidiary from 95% to 100%. See Note 10.3.2.

On 10 April 2018, the Group sold its stake in Sword Performance Solutions AG, a subsidiary based in German-speaking Switzerland specialising in the implementation of Application Performance Monitoring (APM) solutions, for a total price of K€5,663. This sale covered Adhoc S.à r.L. Morocco, Adhoc CTS Tunisia, Adhoc ISL Tunisia and Sword Performance France SAS. See Note 13.1.

On 2 August 2018, the Group boosted its stake in Sword Charteris Ltd by K€18,734, increasing this from a 49% to a 100% interest in the subsidiary. This transaction had no impact on the Group's level of control. See Note 10.3.3.

On 18 October 2018, the Group sold Apak Group Ltd, a subsidiary incorporated in the UK specialising in asset finance products, for a total price of K€127,883, excluding earn out. This disposal included Sword Apak Inc. Given Apak Group Ltd's relative importance in relation to the 'Software' segment to which it belongs, this disposal was considered a discontinued operation for the purposes of IFRS 5. See Notes 2.4.2, 3.1.4, 13.1 and 14.

Effective from 31 December 2018, the Group signed a shareholders' agreement giving it control over Tipik Communication Agency S.A. (Tipik), which until then had been recognised in the Group's accounts according to the equity method. The shareholders' agreement is subject to a right of acquisition by Sword Group SE of all the shares held by Tipik Group S.A., namely 49% of the Company. This purchase option will apply for an unlimited period. See Note 12.2.

NOTE 2. BASIS FOR PREPARATION AND ACCOUNTING PRINCIPLES

2.1 Basis for preparation

The consolidated financial statements are presented in thousands of euros (the company's functional currency), rounded off to the nearest thousand, unless indicated otherwise. They are prepared on the basis of the historical cost, with the exception of derivatives and financial assets held for sale that were valued at their fair value.

As per European Regulation No. 1606/2002 of 19 July 2002, the consolidated financial statements as at 31 December 2018 were prepared in accordance with International Financial Reporting Standards (IFRS) as published by the International Accounting Standards Board (IASB) and adopted by the European Union (hereinafter "IFRS" or "IFRS standards").

Assets and liabilities, expenses and income were not offset, unless permitted or required by IFRS standards.

2.2 Change of accounting methods

2.2.1. New and revised IFRS standards impacting the amounts presented or the disclosures to be provided in the consolidated financial statements

On 1 January 2018, the Group adopted the following new IFRS standards significantly impacting the Group's consolidated financial statements:

IFRS 15: Revenue from Contracts with Customers
IFRS 15 was published by the IASB on 28 May 2014 and adopted by the European Union on 29 October 2016. IFRS 15, superseding IAS 18 'Revenue' and IAS 11 'Construction Contracts', came into force for years beginning on or after 1 January 2018.

It proposes a single revenue recognition model applicable to all contracts concluded with customers and is based on a five-step approach to analysing customer contracts, namely:

- identification of the contract;
- identification of the performance obligations within the contract;
- determination of the contract price;
- allocation of the contract price to the various performance obligations;
- the revenue recognition method, when a performance obligation is fulfilled, either on a set date or based on percentage of completion.

The standard must be applied retrospectively. However, the Group decided to apply the partial retrospective method, under which the Group is required to recognise the cumulative effect of the initial adoption of IFRS 15 as an adjustment of the opening equity at the time of its initial adoption, namely the equity as at 1 January 2018, without restating the comparative periods presented.

With regard to the 'IT Services' segment, to be able to continue recording the revenue recognised on a percentage-of-completion basis arising from consulting and engineering services billed on a fixed-price basis, the Group verified that the services provided up to the date in question and corresponding to 'work in progress' cannot be intended for an alternative use and that they provide entitlement to compensation in the same way as services already received by the customers in question.

For the 'Software' segment, the Group determined the extent to which the goods and services delivered to a customer are distinct or otherwise and must therefore be recognised separately (or not). It was also determined whether distinct services and goods must be recognised progressively if one of the criteria set by the standard for percentage-of-completion recognition is met or, failing that, if they must be recognised at a specific time, i.e. at the time when the customer obtains control of the good or service in question.

The main divergence that could have a significant impact on the financial statements arises from the installation and configuration services for certain software. These services are essential to the use of this software by the end customer, the revenue from which and the associated costs of which must be recognised in the same way as the income from licences or from the release of software in SaaS mode, leading to deferral of the said revenue.

The table below illustrates the impact of the adoption of IFRS 15 on the consolidated statement of financial position as at 1 January 2018:

(in thousands of €)	**1 January 2018 restated**	**Impact IFRS 15**	**31 December 2017 Published**
ASSETS			
NON-CURRENT ASSETS			
Goodwill	86,162	-	86,162
Other intangible assets	11,918	-	11,918
Property, plant and equipment	7,277	-	7,277
Investments in associates	2,852	-	2,852
Financial assets at fair value through other comprehensive income	518	-	518
Deferred tax assets	1,817	379	1,438
Other assets	10,253	-	10,253
TOTAL NON-CURRENT ASSETS	120,797	379	120,418
CURRENT ASSETS			
Trade and other receivables	32,037	(22,068)	54,105
Work in progress	21,177	21,177	-
Current tax assets	2,026	-	2,026
Other assets	5,238	(3,971)	9,209
Cash and cash equivalents	38,479	-	38,479
Prepaid expenses	6,793	6,793	-
TOTAL CURRENT ASSETS	105,750	1,931	103,819
TOTAL ASSETS	**226,547**	**2,310**	**224,237**

31 December

(in thousands of €)	1 January 2018 restated	Impact IFRS 15	2017 Published
EQUITY AND LIABILITIES			
EQUITY			
Share capital	9,545	-	9,545
Share premium	70,676	-	70,676
Reserves	230	-	230
Retained earnings	57,260	(1,408)	58,668
TOTAL EQUITY – GROUP SHARE	137,711	(1,408)	139,119
Non-controlling interests (minority interests)	4,054	(159)	4,213
TOTAL EQUITY	**141,765**	**(1,567)**	**143,332**
NON-CURRENT LIABILITIES			
Financial debt	17,000	-	17,000
Provisions for employee benefits	1,015		1,015
Other provisions	688	-	688
Deferred tax liabilities	1,449	-	1,449
Other liabilities	85	-	85
TOTAL NON-CURRENT LIABILITIES	20,237	-	20,237
CURRENT LIABILITIES			
Financial debt	876	-	876
Other provisions	232	-	232
Trade and other payables	17,367	-	17,367
Current tax liabilities	2,258	-	2,258
Other liabilities	15,968	(23,968)	39,936
Prepaid services	27,844	27,844	-
TOTAL CURRENT LIABILITIES	64,545	3,876	60,669
TOTAL LIABILITIES	**84,782**	**3,876**	**80,906**
TOTAL EQUITY AND LIABILITIES	**226,547**	**2,309**	**224,238**

The Group has chosen, for its initial adoption of IFRS 15, not to provide a comparison between the figures in the primary financial statements and those that would have been presented if the entity had continued to apply IAS 18 and IAS 11. Given that only Apak's operations were impacted by the change in accounting policy related to revenue recognition following the adoption of IFRS 15, Apak's operations are regarded as discontinued operations, entailing an obligation to present the items that make up the results of these activities on a separate line within comprehensive income, in accordance with IFRS 5 (see Note 14), and Apak's assets and liabilities have been deconsolidated, the Group considered that such a comparison was unlikely to provide relevant information to users of the accounts.

IFRS 9: Financial Instruments

On 24 July 2014, the IASB published the final version of IFRS 9, bringing together the three project phases, namely classification and measurement (phase 1), impairment (phase 2) and hedge accounting (phase 3). This supersedes the whole of IAS 39: Financial Instruments: Recognition and Measurement. IFRS 9 is a major overhaul of the accounting rules applying to financial instruments. It introduces a new approach to the classification of financial assets, based on the economic model the entity uses for managing its assets and on the contractual cash flow characteristics of the financial asset. The IAS 39 impairment model, based on actual losses, has been replaced by an impairment model based on the premise of recognising expected credit losses.

Instead of an entity identifying an event that will generate a credit loss, there is now an expanded range of information to assess the credit risk and measure expected credit losses.

In addition, IFRS 9 has reformulated the hedge-accounting requirements by more closely aligning hedge accounting with an entity's risk management activities, by increasing the eligibility of hedged items and hedging instruments and by establishing an approach more firmly based on principles for assessing hedge effectiveness. The new version supersedes all previous versions and applies to years beginning on or after 1 January 2018.

The standard must be applied retrospectively. The restatement of comparative years is optional during the initial application of the provisions pertaining to phases 1 and 2 of IFRS 9. If the Group does not restate the previous years, it must recognise the impact related to initial application in its reserves upon the opening of the first year of adoption.

The Group performed an analysis of the impact of IFRS 9 on its financial statements, bearing in mind the obligation to recognise, where appropriate, impairment losses on financial assets and other financial commitments, on the basis of the new model for providing for credit risk based on the notion of 'expected' risk.

To this end, the Group reviewed the classification of trade receivables and the level of provision for receivables as at 31 December 2017, adjusted to take account of provision charges and write-backs on provisions relating to these receivables at the beginning of the year and recognised during the year 2018 and the three-year history of losses resulting from defaults on payment.

The analysis revealed no material impact on the Group's consolidated financial statements arising from the application of this new standard on trade receivables and work in progress. This is due in particular to the nature of the Group's activities, the methods of invoicing and collection of receivables and the nature of its customer base, being mainly made up of public bodies and key accounts. Given the foregoing, no additional provision to cover expected credit losses on trade receivables has been recognised effective from 1 January 2018.

In accordance with the requirements of the new standard, the Group's management also assessed the risk of default and the amount to be provided for in case of any default on other financial receivables and liabilities. According to the Group's management, in case of any such default, the estimated recovery rates at year end are such that the impairment losses to be recorded as equity when switching to IFRS 9 are insignificant. As a result, the other financial receivables and liabilities have not been subject to any additional provisions upon the transition to IFRS 9 for the year ended 31 December 2018.

As regards the classification model for financial instruments introduced by IFRS 9, and given the abolition of the '*Financial assets held for sale*' category, the Group opted to classify investments held in unlisted entities over which the Group does not have sole or joint control or a significant influence or which it does not to dispose of in the short term, such as 'Financial assets at fair value through other comprehensive income'.

The carrying amount of this category was K€518 on 1 January 2018. The reclassification had no impact on the opening of the consolidated financial statements.

2.2.2. New and revised IFRS standards, published but not yet applicable

The Group has not applied any standard, interpretation or amendment in advance.

The new standards and amendments likely to impact the Group are the following:

IFRS 16: Leases

IFRS 16 sets out the principles for recognising, measuring and presenting leases, as well as information to be provided in the financial statements. The new standard applies both to lessors and to lessees and replaces all the current IFRS standards and interpretations pertaining to leases.

It will take effect for financial years from 1 January 2019 onwards, with early adoption permitted if IFRS 15 was also applied.

The Group conducted an assessment of the impact of the transition to IFRS 16 on its consolidated financial statements.

Real-estate leases and company car rentals are covered, on the basis that the office equipment, including laptops, workstations and printers forming the subject of leases, is classified as low-value assets and therefore exempt from recognition in the balance sheet of the subsidiaries in their capacity as a lessee, and that IT equipment other than office equipment, including servers, is not leased within the Group and therefore is not affected by the transition to IFRS 16.

On 1 January 2019, the Group will recognise a liability corresponding to the present value of lease payments over the term of the contract, as determined by the Group. Leases were discounted at the contract's implicit interest rate for car-rental contracts and at the Group's marginal debt ratio for real-estate leases.

For real-estate leases, early termination options were considered whenever it was considered that exercising this right was likely.

On 1 January 2019, the Group will also recognise an asset under right of use, which will initially be recognised at the level of the lease obligation.

The recognised leases pursuant to the current method will be replaced by (generally linear) depreciation expenses calculated over the useful life of the asset and an interest burden (which will be degressive in line with periodic payments).

In light of the Group's adoption of IFRS 16, the following amendments to the performance measures presented by the Group are expected:

- the debt/equity ratio will rise following the increase in the debt level due to the inclusion of lease obligations on the liabilities side;
- earnings before interest and taxes excluding non-recurring elements (EBIT) should increase pursuant to the replacement of rents with a lower depreciation expense;
- earnings before interest, taxes, depreciation and amortisation excluding non-recurring elements (EBITDA) should increase following the elimination of leases, albeit without including any depreciation.

The table below illustrates the impact of the adoption of IFRS 16 on the consolidated statement of financial position as at 1 January 2019:

(in thousands of €)	**Total**
Impact on the financial position as at 1 January 2019	
Increase in property, plant and equipment	20,820
Decrease in prepaid expenses	(316)
Increase in financial debts	21,179
Decrease in consolidated reserves	(675)

2.3 Use of estimates

Preparing consolidated financial statements in accordance with IFRS requires management to make estimates and select scenarios in the process of applying accounting principles. Those areas involving a higher level of judgement or complexity, or those for which the estimates and scenarios are significant with respect to the consolidated financial statements, are presented in Note 3.

2.4 Restatement of comparative information

2.4.1. Finalisation of the purchase price allocation

Following the finalisation of the allocation of the price paid for the acquisition of the subsidiaries Venture Information Management Ltd and Minttulip Ltd, both acquired in 2017, the consolidated statement of financial position and the consolidated income statement were restated in accordance with IFRS 3 (see Note 12.3). The table below illustrates the impact of the above acquisitions on the financial position and on profit for the year:

(in thousands of €)	**Venture Information Management Ltd**	**Minttulip Ltd**	**Total**
Impact on financial position			
Decrease in goodwill	(77)	(215)	**(292)**
Decrease in profit for the year	77	215	**292**
Impact on profit for the year			
Charges for depreciation of other intangible assets	92	258	**350**
Income tax	(15)	(43)	**(58)**

2.4.2. Discontinued operations

As part of the adoption of IFRS 5, the consolidated financial statements for the year 2017 were restated to take into account the impact of the change in the scope of consolidation for the year ended 31 December 2018 following the disposal of Apak Group Ltd and its subsidiary ("Apak") and the presentation of the items making up the profit from discontinued operations in a separate line within comprehensive income (see Note 13.1 for more details of the disposal, as well as Notes 14 and 44).

(in thousands of €)	**31 December 2017 restated**	**Impact IFRS 5**	**31 December 2017 published**
Continuing operations			
Revenue	**144,424**	**(29,065)**	**173,489**
Purchases	(2,840)	4,126	(6,966)
Personnel expenses	(69,983)	9,321	(79,304)
Other external charges	(53,807)	4,571	(58,378)
Provision (charges)/write-backs on provisions	(323)	-	(323)
Other current operating expenses	(1,378)	205	(1,583)
Other current operating income	874	-	874
EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTISATION, EXCLUDING NON-RECURRING ELEMENTS (EBITDA)	**16,967**	**(10,842)**	**27,809**
EBITDA in %	**11.75%**	**-4.28%**	**16.03%**
Charges for depreciation of property, plant and equipment	(1,965)	-	(1,965)
Charges for depreciation of intangible assets arising from business combinations	(1,976)	-	(1,976)
Charges for depreciation of other intangible assets	(503)	914	(1,417)
EARNINGS BEFORE INTEREST AND TAXES, EXCLUDING NON-RECURRING ELEMENTS (EBIT)	**12,523**	**(9,928)**	**22,451**
EBIT in %	**8.67%**	**-4.27%**	**12.94%**
Income from disposals of assets	(222)	223	(445)
Impairment loss on assets	(1,375)	1,534	(2,909)
Other non-recurring items	(1,488)	278	(1,766)
OPERATING PROFIT (OP)	**9,438**	**(7,893)**	**17,331**
OP in %	**6.53%**	**-3.46%**	**9.99%**
Financial income	783	(375)	1,158
Finance costs	(1,998)	42	(2,040)
FINANCIAL RESULT	**(1,215)**	**(333)**	**(882)**
Share of profit or loss of associates	(192)	-	(192)
PROFIT BEFORE TAX	**8,031**	**(8,226)**	**16,257**
Income tax	(3,259)	1,760	(5,019)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	**4,772**	**(6,466)**	**11,238**
Discontinued operations			
Profit from discontinued operations, net of tax	6,466	6,466	-
PROFIT FOR THE YEAR	**11,238**	**-**	**11,238**

2.5 'Current' and 'non-current' presentation

The consolidated statement of financial position is presented according to the 'current' and 'non-current' distinction defined by IAS 1. Current assets and liabilities are those which the Group expects to realise, consume or settle during the normal operating cycle, which may extend beyond 12 months after the year end. All other assets and liabilities are non-current.

2.6 Translation methods

2.6.1. Translation of the financial statements of foreign subsidiaries

The functional currency of each of the Group's entities is the currency of the economy in which the entity is operating. The accumulated impact of the translation of financial statements of foreign operations is accounted for in equity under 'Foreign-currency translation reserve'. The assets and liabilities of foreign operations are translated at the closing rate and their income and expenses at the average rate for the year.

Translation differences on monetary items which comprise a receivable or a payable from/to a foreign subsidiary, whose settlement is not planned or not probable, and which constitute a share of the net investment in the foreign subsidiary, are initially recognised in other comprehensive income and recognised in profit or loss at the time of reimbursement of monetary items.

At the time of the disposal of a foreign subsidiary, all accumulated translation differences in equity are recognised in profit or loss.

2.6.2. Transactions in foreign currencies

Transactions denominated in foreign currencies are translated into the functional currency at the exchange rate prevailing at the time of the transaction. At the year end, any accounts receivable or accounts payable in foreign currency are translated at the closing exchange rate.

Translation differences arising when these transactions are settled and when monetary assets and liabilities denominated in foreign currencies are translated at the closing exchange rate are reported in the income statement.

Exchange rate of the euro to the most significant foreign currencies as at 31 December 2018 and 31 December 2017:

	Closing rate		Average rate	
(Currency)	**2018**	**2017**	**2018**	**2017**
Pound sterling	0.8945	0.8872	0.8847	0.8761
US dollar	1.1450	1.1993	1.1815	1.1293
Australian dollar	1.6220	1.5346	1.5798	1.4729
Tunisian dinar	2.9930	2.9780	2.9815	2.7695
Moroccan dirham	11.2291	11.2218	11.3044	10.9934
Swiss franc	1.1269	1.1702	1.1548	1.1115
Colombian peso	3,448.28	3,584.23	3,048.78	3,378.38
South African rand	16.4593	14.8054	15.61378	15.043476
Indian rupee	79.7321	76.6049	80.7298	73.4970

2.7 Consolidation method

The consolidated financial statements include the financial statements of the Company and its subsidiaries (together constituting "the Group"), prepared as at 31 December 2018. A list of consolidated companies is provided in Note 10.1.

2.7.1. Subsidiaries

A subsidiary is a company over which the Group has direct or indirect control. Subsidiaries are consolidated using the full consolidation method as of the date on which the Group acquires control, and are deconsolidated as of the date on which such control ends.

Control is considered to exist if and only if:

- the Group holds power over the subsidiary;
- it is exposed or entitled to variable returns due to its links with the subsidiary; and
- it is able to exert its power over the subsidiary in such a way as to influence the amount of returns it obtains.

Controlled entities are those where the Group has the power to direct their financial and operational policies.

The financial statements of subsidiaries are prepared for the same reference period as those of the Group, using uniform accounting principles.

All intra-Group transactions and balances are eliminated in the consolidation process. The profits and losses realised due to the disposal of assets within the Group are fully eliminated.

Profit or loss and each item in other comprehensive income are allocated to shareholders in the parent company and to non-controlling interests (minority interests), even if this results in a deficit balance.

Changes in the Group's ownership interest in a consolidated subsidiary that do not result in a loss of control only affect equity. As a result, when acquiring an additional stake in a consolidated subsidiary, the difference between the purchase price and the carrying amount of the minority interests acquired is recognised as a change in equity – Group share.

2.7.2. Loss of control in a subsidiary

When the Group loses control over a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the total fair value of the consideration received and the fair value of any interest retained, and (ii) the former carrying amount of the assets (including goodwill) and liabilities of the subsidiary, as well as any non-controlling interest. All amounts previously recognised in other comprehensive income pertaining to the subsidiary in question are recognised in profit or loss for the year or transferred to another category of equity, where appropriate, as if the Group had directly deconsolidated the subsidiary's assets and associated liabilities. The fair value of an interest retained in the former subsidiary on the date of loss of control must be considered as being the fair value at the time of initial recognition for the purposes of subsequent recognition under IFRS 9.

2.7.3. Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of these entities without however controlling them. The Group is considered to have significant influence if it holds 20% or more of the voting rights (directly or indirectly), unless it can be clearly demonstrated that it does not have such influence. Conversely, if the Group holds less than 20% of the voting rights in an entity (directly or indirectly) and it can be clearly demonstrated that the Group exercises significant influence, the interest is classified as an associate.

Investments in associates are initially recognised under the cost method, before being recognised under the equity method. They include the goodwill observed at the time of acquisition and are presented net of accumulated impairment losses. Associates recognised under the equity method are subject to an impairment test if there is an objective indication of impairment. If the recoverable amount of the investment is lower than its carrying amount, an impairment loss is then recognised in the profit or loss for the year.

From acquisition until the date on which significant influence is lost, the Group share in the profit or loss of associates is recognised in the profit for the year while the Group share in other comprehensive income is recognised in other comprehensive income. Accumulated movements since acquisition are recognised by adjusting the initial cost, on the assets side, in the consolidated statement of financial position.

2.8 Business combination

When the Group takes control of an entity, the identifiable assets and liabilities are recognised at their fair value on the date of acquisition.

The consideration transferred in a business combination corresponds to the fair value of assets transferred (including cash), liabilities assumed and equity instruments issued by the Group in exchange for control of the acquired entity. The costs directly related to the acquisition are recognised in profit and loss.

Goodwill is measured as the positive difference between the following two items:

- the sum of (i) the consideration transferred and, where appropriate, (ii) the amount of non-controlling interests (minority interests) in the acquired entity and (iii) the fair value of interests already held by the Group prior to acquiring control; and
- the net amount on the acquisition date of the fair value of identifiable assets and liabilities acquired and assumed.

If, after confirmation of the values, this difference is negative, the amount is immediately recognised in the profit as a gain on a bargain purchase.

Goodwill is recognised as an asset in the consolidated financial statements under 'Goodwill' and is subject to an annual impairment test (see section 2.9 below).

In addition, in the goodwill measurement explained below, the amount of non-controlling interests can be measured, on a case-by-case basis with the Group being able to choose, either at fair value ('full goodwill' option) or the share of the acquired entity's identifiable net assets ('partial goodwill' option).

Acquisition differences are recognised in the functional currency of the acquiree.

Any earn outs are included in the acquisition price at their fair value on the date on which control was acquired. This takes the form of a consideration in equity or debts depending on how the earn outs are settled. The subsequent recognition of changes in the fair value of any contingent consideration depends on its classification in the consolidated financial statements.

Any contingent consideration classified as an asset or liability is remeasured on the subsequent reporting dates in accordance with IFRS 9 or IAS 37, depending on the case, and the ensuing gain or loss is recognised in the profit for the year.

Acquiring control through consecutive purchases is analysed as a twofold operation: (1) a disposal of the entire previously held interest; and (2) an acquisition of all shares with recognition of an acquisition difference (goodwill) on the entire interest (old batch and new acquisition).

If the initial recognition of a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group shall report in its financial statements provisional amounts for the items for which there is incomplete recognition.

During the measurement period, the provisional amounts are adjusted retrospectively to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised on that date. However, the measurement period shall not exceed one year from the acquisition date.

2.9 Goodwill

Goodwill arising from the acquisition of a business is recognised at the cost established on the acquisition date (see Note 2.8), less any accumulated impairment losses.

For the purposes of impairment testing, goodwill is allocated to cash-generating units (CGUs), namely those likely to benefit from the synergies expected of the business combination and representing, within the Group, the lowest level at which goodwill is monitored for internal management purposes. CGUs correspond to operating segments.

The recoverable amount of a CGU is the higher of its fair value less costs to sell and its value in use, determined using the cash-flow discount method. When the recoverable amount is lower than the carrying amount, an impairment loss must be recognised.

The impairment loss is then allocated, firstly as a decrease in the carrying amount of any goodwill allocated to the CGU, and then, for the remainder, as a decrease in the carrying amount of the CGU's other assets pro rata on the basis of the carrying amount of each asset in the CGU.

Goodwill is not depreciated and is subject to impairment testing at least once a year by comparing its carrying amount with its recoverable amount on the reporting date, determined on the basis of three-year cash-flow forecasts. Impairment testing may occur more frequently if events or circumstances indicate that the carrying amount is not recoverable.

2.10 Intangible assets other than goodwill

Intangible assets other than goodwill comprise mainly software, SaaS (software as a service) contracts, software maintenance contracts and production backlog, business combination activities, the amount paid to buy out a non-competition clause (see Note 16) and development costs for upgrading existing software solutions.

2.10.1. Intangible assets acquired separately

Intangible assets acquired separately mainly comprise the non-competition clause. It has an indefinite useful life and is consequently recognised at its acquisition cost less any accumulated impairment losses.

2.10.2. Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill if they meet the definition of an intangible asset. The cost of intangible assets corresponds to their fair value on the date of acquisition.

After initial recognition, these intangible assets are depreciated using the straight-line method over an expected useful life which is the following:

- Software (and associated contracts): 5-10 years
- Order books: 3 months to 5 years

2.10.3. Intangible assets generated internally

Research costs are recognised as an expense in the period in which they are incurred.

Development costs are capitalised when they meet the following criteria:

- the technical feasibility needed for completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- the probability that the Group will accrue future economic benefits as a result of the intangible asset;
- the availability of adequate technical, financial and other resources to realise the intangible asset;
- the ability to reliably measure the expenditure attributable to the intangible asset during its development.

Development costs that meet the above criteria are treated as assets up to the level of the direct costs attributed to the project. They are depreciated over the expected useful life, as of the project marketing date.

Bearing in mind the specific characteristics of the Group's activities, the crucial criterion is technical feasibility, since that is generally the last criterion to be met. The risks and inherent uncertainties involved in the development of new software are such that it is impossible to demonstrate a product's technical feasibility until shortly before it is launched. Consequently, costs incurred in this phase of development, which are likely to be capitalised, are not significant and are therefore recognised in profit or loss as they are incurred.

Internal and external direct expenses incurred for major updates to marketed software and upgrades delivering additional functionalities are capitalised.

2.10.4. Derecognition of intangible assets

An intangible asset is derecognised when it is disposed of or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an intangible asset (determined as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in profit or loss.

2.11 Property, plant and equipment

Property, plant and equipment are recognised at their acquisition cost, including directly attributable costs less accumulated depreciation and any impairment losses.

Subsequent expenditure is capitalised if it is likely that the future economic benefits associated with the item will be enjoyed by the Group and if their cost can be estimated reliably. All other expenditure is recognised immediately as expenses as it is incurred.

Items are depreciated using the straight-line method in accordance with the expected useful life of the item in question. An impairment loss is recognised, where appropriate, when the carrying amount exceeds the recoverable amount (see Note 2.12).

The estimated useful lives of various items are as follows:

- Facilities and fixtures: 10 years
- Transport equipment: 5 years
- Office equipment: 3-5 years
- Computer hardware: 3 years
- Office furniture: 10 years

The depreciation arrangements for property, plant and equipment are reviewed annually and can be altered prospectively depending on the circumstances.

A property, plant and equipment item is derecognised when it is disposed of or when no future economic benefits are expected from the continuing use of the asset. The gain or loss arising from the disposal or decommissioning of a property, plant and equipment item is the difference between the sale proceeds and the carrying amount of the asset, and is recognised in profit or loss.

2.12 Impairment of intangible and tangible assets

At each reporting date, the Group reviews the carrying amounts of its intangible and tangible assets in order to determine if there is any indication of an impairment loss. If there is, then the recoverable amount is estimated with a view to determining the amount of the impairment loss. If it is not possible to estimate the recoverable amount of the individual asset, the Group shall determine the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of an asset’s fair value less costs to sell and its value in use. When measuring value in use, estimated future cash flows are discounted by applying a pre-tax rate that reflects the current assessment of the time value of money and the risks specific to the asset for which the future cash-flow estimates have not been adjusted.

If the recoverable amount of an asset (or CGU) is less than its carrying amount, the carrying amount of the asset (or CGU) shall be reduced to its recoverable amount. Any impairment loss is recognised immediately in profit or loss.

If an impairment loss is reversed subsequently, the carrying amount of the asset or CGU is increased in line with the revised estimated recoverable amount provided the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years. The reversal of an impairment loss is recognised immediately in profit or loss. However, no reversal is possible for impairments of goodwill.

2.13 Fair value

The Group measures financial instruments, such as derivative instruments and financial assets held for sale, at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair-value measurement entails the transaction to sell the asset or transfer the liability taking place either in the principal market for the asset or liability, or, in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal (or most advantageous) market must be accessible to the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The measurement of an asset takes into account a market participant's ability to generate an economic benefit by using the asset in its highest and best use or by selling it to another market participant that will use the asset in its highest and best use. Highest and best use takes into account the use of the asset that is physically possible, legally permissible and financially feasible.

The Group uses measurement techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All of the assets or liabilities for which a fair value is measured or presented in the consolidated financial statements are classified in the fair value hierarchy (see Note 5).

2.14 Financial instruments

2.14.1. Classification

Financial assets are divided into the following categories:
- Financial assets at amortised cost
- Financial assets at fair value through profit or loss
- Financial assets at fair value through other comprehensive income

Financial assets are measured at amortised cost if the following two conditions are met:
- holding them forms part of a business model where the aim is to hold assets to collect the contractual cash flows arising from them;
- their contractual terms give rise, on specified dates, to cash flows that correspond solely to repayments of the principal and interest payments on the outstanding principal.

Financial assets at amortised cost comprise trade and other receivables, deposits and guarantees, and cash and cash equivalents.

On initial recognition, equity instruments are classified by default as financial assets at fair value through profit or loss unless the Group makes an irrevocable election to present those not held for trading as financial assets at fair value through other comprehensive income. This decision is made on an investment-by-investment basis. This is the case for non-consolidated holdings in listed and unlisted companies.

Financial liabilities are classified either as financial liabilities at amortised cost or as financial liabilities at fair value through profit or loss.

Financial liabilities at amortised cost comprise bank borrowings, and trade and other payables.

Derivatives with a negative value are included in financial liabilities at fair value through profit or loss.

2.14.2. Initial measurement

Financial assets/liabilities are recognised initially at fair value, plus/less directly attributable transaction costs in the case of financial instruments which are not at fair value through profit or loss.

2.14.3. Subsequent measurement

After initial recognition, financial assets at amortised cost are measured at amortised cost using the effective interest method, less impairment provisions.

Discounting is omitted for short-term loans and receivables, in view of the negligible impact thereof.

The effective interest method is a method for calculating the amortised cost of a financial instrument and allocating interest income during the period in question. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, where appropriate, over a shorter period, to the net carrying amount.

Financial assets at fair value through other comprehensive income are measured subsequently at fair value with recognition of latent gains or losses in other comprehensive income and accumulated in an item called 'Remeasurement reserve'.

Financial assets at fair value through profit or loss are measured subsequently at fair value, with gains and losses being recognised in profit or loss.

All financial liabilities are subsequently measured at amortised cost using the effective interest method or fair value through profit or loss.

2.14.4. Impairment of financial assets

IFRS 9 replaces the 'incurred losses' model of IAS 39 with the 'expected credit losses' model. The new impairment model mainly relates to financial assets measured at amortised cost and contract assets.

The Group measures loss value adjustments at the value of the expected credit losses over the life of the assets and instruments affected, except for the following items, which are measured at the value of the expected credit losses for the next 12 months:

- debt instruments that are established to have a low credit risk at the reporting date; and
- other debt instruments and bank accounts whose credit risk (i.e. the risk of default over the expected life of the financial instrument) has not increased significantly since their initial recognition.

The Group has decided to measure loss allowances as trade receivables and contract assets at the value of the expected credit losses over the life of these assets.

The Group assumes that the credit risk associated with a financial asset has increased significantly if payments have been in arrears for more than 30 days.

The Group considers a financial asset to be in default when:

- it is unlikely that the borrower will settle all its credit obligations to the Group without the Group resorting to actions such as realising the collateral (if any); or
- the financial asset has matured more than 90 days previously.

The Group considers that a debt instrument has a low credit risk if its credit rating is equivalent to that resulting from an 'investment grade' classification, i.e. if its credit rating is higher than or equal to BAA3 (Moody's) or BBB- (S&P).

Measurement of expected credit losses
Expected credit losses are an estimate of credit losses using a default probability model. Credit losses are measured based on the present value of all estimated cash flow deficits (i.e. the difference between the cash flows that are due to the Group under the terms of the contract and the expected cash flow).

Expected credit losses are discounted at the effective interest rate of the financial asset, unless the impact of discounting is considered immaterial.

With regard to trade receivables and contract assets, the Group measures expected credit losses over the life of the assets affected. Expected credit losses for these financial assets are estimated based on the Group's credit loss history, following any adjustment for changes in macroeconomic indicators such as inflation, interest rates, unemployment rates or GDP.

Credit-impaired financial assets
At each reporting date, the Group measures whether financial assets recognised at amortised cost are likely to be credit-impaired. Therefore, financial assets are impaired if one or more events occur that have an adverse effect on the estimated future cash flows of these assets, such as a default on payment by a debtor. Any receivable that has been outstanding for more than 90 days is fully provisioned unless the Group has information indicating that full or partial recovery is likely.

Presentation of impairment losses
In the balance sheet, loss value adjustments related to financial assets measured at amortised cost are deducted from the assets' gross carrying amount.

Impairment losses on trade receivables and other receivables, including contract assets, are presented separately in the income statement.

2.14.5. Derecognition

A financial asset is derecognised if and only if the contractual rights to cash flows related to the financial asset mature or if the Group substantially transfers all of the risks and rewards involved in ownership of the asset.

Upon the derecognition of a financial asset measured at amortised cost, the difference between the carrying amount of the asset and the sum of the consideration received or due to be received is recognised in profit or loss.

However, at the time of the derecognition of an investment in an equity instrument which the Group has elected to measure at fair value through other comprehensive income on initial recognition, the profit or loss accumulated previously in 'Remeasurement reserve' is not reclassified to profit or loss but transferred to retained earnings.

A financial asset is derecognised if and only if the obligation stated in the contract is settled or cancelled or if it matures. The difference between the carrying amount of the derecognised financial liability and the consideration paid and due is recognised in profit or loss.

If the Group exchanges a debt instrument with an existing lender for another debt instrument with substantially different terms, this exchange is recognised as eliminating the original financial liability, with this being replaced with the recognition of a new financial liability. Similarly, the Group recognises a material change in the terms of an existing financial liability or part of the existing financial liability as eliminating the original financial liability, with this being replaced with the recognition of a new financial liability.

2.14.6. Offsetting

A financial asset and a financial liability are offset and the net amount is presented in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and it is intended either to settle them on a net basis, or to realise the asset and settle the liability simultaneously.

2.15 Derivative financial instruments

The Group uses various derivative financial instruments to manage its exposure to changes in interest rates and exchange rates.

Derivative financial instruments are initially recognised at fair value on the date on which the derivative contract is concluded, and subsequently measured at fair value at the end of each period. The resulting gain or loss is recognised immediately in profit or loss.

A derivative with a positive fair value is recognised as a financial asset, while a derivative with a negative fair value is recognised as a financial liability. Derivatives are not offset in the financial statements unless the Group intends and has a legally enforceable right to offset them.

2.16 Trade receivables

Trade receivables are amounts receivable from customers for goods sold or services rendered in the normal course of business. They are part of current assets provided they are realised during the normal operating cycle. Otherwise, they are part of non-current assets.

2.17 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank, cash in hand, short-term deposits originally maturing in less than three months and any monetary investment subject to a negligible risk of change in value.

For the purposes of the consolidated cash flow table, cash and cash equivalents comprise cash and cash equivalents as defined above, net of current bank overdrafts. Current bank overdrafts are presented on the liabilities side of the balance sheet under 'financial debt' in current liabilities.

2.18 Trade payables

Trade payables are obligations to pay for goods and services acquired in the normal course of business. They are part of current liabilities provided they are settled during the normal operating cycle. Otherwise, they are part of non-current liabilities.

2.19 Commitments to purchase minority interests ('put options over minority interests')

The Group granted minority shareholders of certain fully consolidated subsidiaries commitments to purchase their investments. These commitments may be optional (put options) or firm, with predefined maturities and variable exercise prices based on multiples of the EBIT.

On initial recognition, the purchase commitment is recognised as a financial liability for the present value of the exercise price of the put option or the firm purchase commitment, primarily against the carrying amount of the minority interests and, for the balance, as an adjustment to the equity attributable to shareholders of Sword Group SE.

The subsequent change in the value of the commitment is recognised as a financial liability by adjusting the amount of equity attributable to shareholders of Sword Group SE. When the commitment matures, if the purchase is not made, the previously recognised entries are reversed. If the purchase is made, the amount recognised as a financial liability is reversed against the disbursement related to the purchase of minority interests.

2.20 Provisions

2.20.1. General

A provision must be recognised if:

- the Group has a current legal or implicit obligation as a result of past events;
- resources will probably have to be used to meet the obligation;
- the amount of the obligation can be estimated reliably.

The provisions are recognised at the current value of the expected expenditure of resources. The provisions are discounted if there is a significant time impact. The impact of the discount realised at each reporting date is recognised in finance costs.

2.20.2. Onerous contracts

The current obligations arising from onerous contracts are recognised and measured as provisions. A contract is considered onerous when the Group has concluded a contract for which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from it.

2.21 Taxes

Tax expense includes current and deferred tax.

2.21.1. Current tax

Current tax comprises the estimated amount of tax payable (or receivable) on the taxable profit (or loss) for a year for the Company and its subsidiaries, and any adjustments to the current tax for previous years. It is calculated on the basis of the tax rates that have been enacted or substantively enacted by the reporting date.

Management will rely on their own judgement and estimates in situations where the tax regulations are open to interpretation. These positions are reviewed regularly.

2.21.2. Deferred tax

Deferred tax is recognised using the liability method for the temporary differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. No deferred tax is recognised if it arises from the initial recognition of an asset or liability in a transaction, other than a business combination, which at the time of the transaction affects neither accounting profit /loss nor taxable profit/ tax loss. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred taxes are determined using tax rates and tax regulations which have been enacted or substantively enacted by the reporting date and which are intended to apply when the deferred tax asset in question is realised or when the deferred tax liability is settled.

Deferred tax assets are recognised only in so far as an actual future taxable profit, which will allow the charging of temporary differences, is likely. To assess the Group's ability to recover these assets, the following are taken into account: forecasts of future tax results, the share of non-recurring charges that will not recur in the future included in past losses, the history of taxable profits for prior periods, and, if applicable, the tax strategy such as the proposed disposal of undervalued assets.

Deferred tax assets are recognised for temporary differences linked to investments in subsidiaries, save when the timetable for reversal of these temporary differences is controlled by the Group and when it is likely that such reversal will not take place in the near future.

Deferred tax assets and liabilities are offset per tax entity when the tax entity is entitled to offset its current tax assets and liabilities, and when the deferred tax assets and liabilities in question are levied by the same tax authority.

2.22 Operating leases

Leases for which the lessor retains nearly all the risks and rewards involved in ownership of an asset are classified as operating leases. Operating leases are not capitalised. Rents are recognised as operating expenses.

2.23 Principle of recognising revenue

The Group's revenue comes mainly from the following activities:

- consulting and engineering services;
- infrastructure management, application management and resource outsourcing services;
- sales of licences (software) via a single licence, maintenance services related to the sales of licences mentioned above, comprising updates and technical support, SaaS contracts (see the definition below) and the development of additional functionality for standard products commissioned by clients.

SaaS (Software as a Service) sales are based on the principle of providing access to an application over the Internet. Users pay for the service via a service subscription, unlike the traditional model of providing software under a single licence and installing it on the client's own servers.

Revenue is recognised when the Group transfers control of the goods or services sold to the client, either on a given date or gradually.

2.23.1. Consultancy and engineering services

Consulting and engineering contracts are based on deliverables and are remunerated at a fixed price. The resulting services include systems integration and the design and development of customised computer systems and associated processes. The contract term is generally between 6 and 15 months. The contract prices may be subject to bonuses or penalties based on the achievement of specified performance goals or benefit levels provided to the customer.

Revenue is generally recognised on a percentage-of-completion basis, as at least one of the following conditions is met: (i) the Group's service enhances an asset that the client obtains control of as and when the service is provided; (ii) the Group constructs an asset that has no other use (e.g. it is client-specific) and has an enforceable right to payment for the service performed to date in case of termination by the client.

The Group applies the costs incurred method to measure progress. The percentage of completion is based on the costs incurred on the date considered compared with the total estimate of costs on termination of the contract. The estimate of the total costs of the contract is reviewed if new information has come to light. Changes in the estimate of the corresponding percentage of completion are recognised in the income statement as adjustments to revenue in the period in which the items giving rise to the revised estimate became known.

Contract costs based on deliverables are recognised as expenses when they are incurred.

The Group contractually acquires the right to issue a bill on achievement of specified milestones or on the client's acceptance of the work performed.
The difference between accumulated billing and accumulated revenue is reflected in the consolidated statement of financial position under contract assets (if the revenue exceeds the amount billed) or contract liabilities (if the amount billed exceeds the revenue).

2.23.2. Infrastructure management, application management and resource outsourcing services

Infrastructure management, application management and resource outsourcing contracts are remunerated on the basis of a fixed price per work unit, or based on monthly fixed prices that can be adjusted in line with changes in volumes or scope. Services are billable on a monthly basis. In certain cases, the contract may include penalties related to the level of service provided.
The contract term is generally between 3 and 12 months.

In general, revenue from service-based contracts is recognised as and when the Group acquires the right to invoice, except for special cases where the billing procedure does reflect the value for the customer of the services provided to date in relation to the value of the remaining services to be provided. Bonuses or penalties related to the level of service are, where appropriate, fully recognised in the period in which the performance targets are met or missed, as the case may be.

The amounts initially received from customers are, where appropriate, deferred and staggered over the period of the services, even if they are non-refundable. Initial amounts payable to customers, if they exceed the fair value of the assets transferred by the customer, are capitalised (presented as contract assets) and depreciated over the contract period as a deduction from revenue.

2.23.3. Sales of licences, maintenance contracts, provision of SaaS applications and other software sales

If supplying a licence is identified as a distinct delivery obligation, control can be transferred to the customer at a specific point in time (right of use) or gradually (right of access).

The sale of software in SaaS mode gives rise to a right of access. In this situation, revenue is recognised as and when the customer receives and uses the benefits of the service.

Conversely, in case of a right of use being granted, the revenue of the licence will be recognised on delivery if it complies with all the obligations stipulated in the contract.

Maintenance contracts (including updates and technical support) are concluded when the client acquires the licence for the underlying software. Such contracts can be renewed by the client at the end of each fixed term. Maintenance revenue is recognised on a straight-line basis over the term of the contract, with the Group having a constant duty to provide its services.

Services to develop additional functionality commissioned by the client for standard products are recognised on a percentage-of-completion basis, taking account of the contractual limitations preventing the Group from aiming the product at another client and of the enforceable right to payment for the work performed.

Revenue from other software sales mainly relates to the development of additional features requested by clients for standard products, and is recognised once this is completed. Recurring revenue from subscriptions and support is recognised in 'software sales'.
Revenue from agreements with multiple service obligations, which generally include licences, support and/or services, is allocated to each distinct performance obligation based on their specific sale price.

2.23.4. Resale activities

If analysis of a contract makes it possible to identify the purchase of goods or services for resale as a distinct performance obligation, it should be determined whether the Group is acting as an agent or as a principal. It is an agent if it is not liable to the client for the performance of the service and its acceptance by this client, if it has no transformative impact on the goods or services and if it does not bear any inventory risk. In this situation, it recognises the revenue for a net amount corresponding to its margin or commission. Otherwise, if it takes control of the goods or services before they are resold to the end client, it is acting as a principal. Revenue is recognised on a gross basis and external purchases are fully recognised as operating expenses.

2.23.5. Multi-component contracts

A performance obligation must be distinguished from other obligations if the following two conditions are met simultaneously:

- First and foremost, the underlying goods or services must be distinct in absolute terms. They can be sold on their own or the client can benefit from them through resources readily available on the market.
- The goods or services must be distinct in the context of the contract, which requires the transformative relationship between the various goods and services in the contract to be analysed. This relationship does not exist if the goods or services in question are not used to produce the other goods or services that are the subject of the contract, if they do not substantially alter or adjust other goods or services promised in the contract or if they are not closely related or are heavily dependent on other goods or services promised in the contract.

If several separate performance obligations are identified within a single contract, the specific sale prices of those obligations are deemed to be the contractual sale prices.

2.23.6. Variable considerations

Variable considerations relate in particular to the provision of SaaS software and services provided on a cost-plus basis. Part of the variable remuneration corresponds to the price per work unit multiplied by the number of work units (number of incident tickets, number of users, number of servers, volumes of processed data, etc.) used by the client during each reference period.

2.23.7. Costs of obtaining contracts

The costs of obtaining a contract are recognised in assets if two conditions are met: they would not have been incurred if the contract had not been obtained, and they are recoverable. They may relate to sales commissions if they are specifically and solely related to obtaining a contract, i.e. they have not been paid on a discretionary basis. Commissions are not capitalised if the depreciation period is one year or less.

2.23.8. Costs of executing contracts

Costs incurred prior to the signing of an enforceable contract are capitalised only if they are directly attributable to the design or implementation phase of a specifically identified contract, if the contract is likely to be signed and the costs can be recovered under the contract.

Costs incurred for the performance of a contract are recognised as expenses when they are incurred, except for certain up-front implementation costs, such as transition and processing costs, where the latter do not represent a separate service obligation, which are capitalised if they create a resource that the Group will use to provide the promised services.

An 'onerous contracts' provision is recognised if the unavoidable costs of performing the contract outweigh the relevant benefits.

2.23.9. Presentation in the consolidated statement of financial position

The Group provides counter-performance in exchange for products or services transferred to a client either in trade receivables or in contract assets. A receivable is an unconditional counter-performance, unlike a contract asset, which is a counter-performance conditioned by factors other than the passage of time.

The majority of the Company's contract assets arise from amounts not invoiced on fixed-price service contracts, when the recognised revenue exceeds the amount billed to the client, and when counter-performance is subordinated to achievement of a milestone or subjected to the client's acceptance.

The billing amount exceeding the recognised revenue is presented in contract liabilities.

2.23.10. Financing components

A financing component included in the transaction price is identified if it is significant and if the period between the completion of the service and payment for this service is greater than 12 months or if the time curve for the completion of services diverges significantly from that laid down by the rules and regulations. The Group has not identified any contracts with a significant financial component.

The Group applies the simplification measure provided for by the standard, meaning that the price does not have to be adjusted when the time lag does not exceed 12 months.

2.24 Distribution of dividends

The distribution of dividends to the shareholders of the parent company is recognised as a liability in the Group's financial statements in the period in which the dividend distribution was approved by the General Meeting of shareholders, until the payment thereof.

2.25 Earnings per share

Earnings per share are calculated by dividing profit or loss (attributable to the shareholders of the parent company) by the weighted average number of ordinary shares in circulation during the year.

Treasury shares are ignored in the calculation of earnings per share or diluted earnings per share.

The diluted earnings per share amount is calculated by dividing profit or loss (attributable to the shareholders of the parent company) by the average weighted number of ordinary shares in circulation, plus all dilutive potential ordinary shares (subscription options, warrants, etc.), less treasury shares.

A share subscription plan is considered dilutive when it results in the issue of ordinary shares at a price lower than the average market price during the period.

2.26 Share capital

2.26.1. Ordinary shares

Ordinary shares are classified as equity instruments. Ancillary costs directly attributable to the issue of ordinary shares or share options are recognised as a deduction from equity, net of share.

2.26.2. Treasury shares

All of the treasury shares held by the Group are recognised at their acquisition cost taken from equity. The income (or expense) from any disposal of treasury shares is charged directly to the increase (or decrease) of equity (net of taxes), so that any gains or losses do not affect the profit or loss for the year.

2.27 Employee benefits

2.27.1. Short-term benefits:

Expenses relating to short-term benefits comprise gross pay, social security contributions, paid leave and other short-term benefits. They are recognised as an expense in the period in which the services are rendered by the personnel. Sums unpaid as at the reporting date are recognised in 'Other current liabilities'.

2.27.2. Defined-contribution retirement plans

Expenses relating to defined-contribution plans are recognised in profit or loss on the basis of contributions paid or payable for the year in which the associated services were rendered by the beneficiaries. Sums unpaid as at the reporting date are recognised in 'Other current liabilities'.

2.27.3. Defined-benefit retirement plans

Defined-benefit retirement plans are post-employment benefit plans other than defined contribution plans, including mainly retirement obligations defined by French collective agreements or company-level agreements.

The Group's commitments relating to defined-benefit plans are measured using an actuarial technique, the projected unit credit method. This method is based mainly on a projection of future pension levels payable to employees, anticipating the impact of their future salary increases, and on specific assumptions, detailed in Note 22, which are updated periodically by the Group. The Group does not outsource the management or financing of retirement benefits to an outside fund.

2.27.4. Compensation for termination of employment contract

Termination benefits are recognised as an expense when the Group is demonstrably engaged, without any real possibility of withdrawing, in a formal, detailed plan either for dismissal prior to the normal retirement date or offers encouraging voluntary retirement with a view to reducing staff numbers.

2.28 Assets and groups of assets held for sale and discontinued operations

2.28.1. Assets and groups of assets held for sale

In accordance with IFRS 5, 'Non-current Assets Held for Sale and Discontinued Operations', assets or groups of assets held for sale are presented in a single line separately from the statement of financial position and are measured at the value of their carrying amount and their market value, whichever is the lower, less the costs required to complete the sale.

An asset is classified as an 'asset held for sale' only if it is very likely to be sold within a 12-month period, if the asset is available for immediate sale in its current condition and if a sale plan has been initiated by management and has made sufficient progress.

2.28.2. Discontinued operations

A discontinued operation is a component of an entity that either has been disposed of or is classified as held for sale and represents a line of business or a major, distinct geographic area that can be distinctly identified for operational and financial reporting purposes.

When a business is classified as a discontinued operation, the comparative income statement and the cash flow statement are restated as if the activity had met the criteria of a discontinued operation from the start of the comparative period.

NOTE 3. ACCOUNTING ESTIMATES AND JUDGEMENTS

In preparing consolidated financial statements, management issues judgements, performs estimates and formulates assumptions likely to have an impact on the amount of assets, liabilities, income and expenses recognised in the consolidated financial statements, as well as on the information in the notes on contingent assets and liabilities on the reporting date.

3.1 Critical judgements made in connection with applying accounting policies

The following analysis presents the critical judgements made in connection with applying the Group's accounting principles, excluding those which involve estimates, having the most significant impact on the amounts recognised in the consolidated financial statements.

3.1.1. Revenue recognition

The Group's management makes judgements in applying IFRS 15, in particular in assessing the distinctness or otherwise of the promises contained in a contract and the classification as an agent or a principal.

Distinctness or otherwise of goods or services

A judgement must be made when assessing the distinctness or otherwise of the promises contained in a contract.

If an activity classified as a pre-production activity (such as configuration, testing or design) generates income, the Group's management assesses whether this activity is distinct in the context of the contract. If there are strong interdependencies between the execution of the pre-production and production phases, the Group considers that the two phases are not "distinct in the context of the contract" and therefore constitute a single performance obligation.

The entity will then have to determine a single method for measuring percentage of completion for the purposes of the performance obligation, covering all pre-production and production phases. On the other hand, if the pre-production phase can be considered to be distinct in the context of the contract, it will be treated as a separate performance obligation.

In the case of SaaS contracts, the contract allows the client to have Internet access to computer processing functions hosted by the Group. The contract generally provides for an implementation phase and an operation phase. In this case, the licence is not distinct from the hosting service since the client cannot derive any benefit from the licence without the service providing continuous access to the entity's Internet platform. A judgement must be made when assessing whether the initial implementation service is distinct from the continuous access service. The Group considers that activities which are not separable from the initiation of the continuous access service, which are essential for enabling the client to access the continuous service and which can only be performed by the entity do not represent a distinct service provided to the client.

Classification as an agent or a principal

For the classification as an agent or a principal, the Group uses indicators such as the Group's responsibility to meet its undertakings to the end client, any transformative action performed by the Group with regard to sold goods or services and the inventory risk and, where appropriate, in the case of goods and services sold separately, the freedom to set prices. In any case, it is necessary to make a judgement and to take into consideration all the facts and circumstances specific to each transaction, bearing in mind that only the intermediation margin is recorded in revenue if the Group acts as an agent.

3.1.2. Control of Tipik Communication Agency S.A. (Tipik)

Although the Group only owns 49% of Tipik, a shareholders' agreement gives it the power to set Tipik's financial objectives, as well as its operational and strategic priorities and in particular managerial policy (appointments, remuneration and dismissal of senior executives and management). The Group's senior executives examined the provisions of the agreement in the light of the obligations imposed by IFRS 10 and concluded that the Group controls Tipik.

3.1.3. Determining cash-generating units (CGUs) for goodwill impairment testing

As recommended in IAS 36, the goodwill arising from a business combination is allocated to a CGU likely to benefit from business combination synergies. Given the impact of synergies based on organisational and commercial criteria and the level at which the goodwill is managed and its performance assessed by the Group, the CGUs selected by the Group for the needs of impairment testing correspond to the Group's business segments, i.e. IT services and software.

3.1.4. Discontinued operations

The Group considers Apak to represent a main line of business and that the disposal of this line must be deemed a discontinuation of operations from the point of view of IFRS 5. Given Apak's relative importance in relation to the 'Software' segment to which it belongs (60% of the segment's sales at the time of disposal), the Group's management considered that the conditions for presenting the Apak activity as a discontinued operation in the income statement were met.

3.2 Main sources of uncertainty about estimates

3.2.1. Goodwill impairment testing

Goodwill is subject to impairment testing at least annually, in accordance with the accounting principles set out in Note 2.9. The CGUs' recoverable amounts are determined on the basis of the calculation of their value in use and, where appropriate, their fair value less costs to sell. The CGUs' value in use is determined using the future discounted net cash flows method, which is influenced by parameters such as estimated medium and long-term revenue growth, expected rate of profitability and discount rate applied. The main assumptions selected by the Group for performing tests are presented in Note 17. Any change to these assumptions could have a significant effect on the recoverable amount.

3.2.2. Measurement of intangible assets arising from business combinations

The Group uses valuation techniques and assumptions to determine the fair value of intangible assets arising from a business combination. The valuation techniques and assumptions used are described in Note 5. The adoption of a different valuation model and any change to underlying variables could have a significant impact on the value allocated to these assets.

3.2.3. Useful life of intangible assets acquired in business combinations

Depreciable intangible assets acquired in business combinations are valued and depreciated taking into account their useful life forecast by the Group.
Uncertainties regarding these estimates are related mainly to the technical obsolescence that could affect software intended for sale or leased under SaaS arrangements and to the erosion rate of clients or contract renewals that could impact assets such as contracts to deliver software as a service (SaaS), support contracts and, where appropriate, customer relations.

3.2.4. Intangible assets with indefinite lives

The Group is of the opinion that the fee paid by the Group to the former majority shareholder in Tipik to cancel a non-competition clause (see Note 16) is comparable to an open-ended operating licence granted to the Group, an authorisation without which the Group would be unable to generate any cash flow within the scope of business activities subject to the restraint of trade agreement. Consequently, the fee paid was classified as an asset with an indefinite useful life that is subject to impairment testing at least once a year.

3.2.5. Recognition of deferred tax assets

Deferred tax assets can be recognised only in so far as the tax losses can be used to reduce the tax burden on taxable profits. The Group's management use budgets and medium-term growth and profitability assumptions to recognise deferred tax assets. A downward revision of the projections established by management can significantly influence the recoverable nature of deferred tax assets.

3.2.6. Revenue recognition

Group management makes estimates for the application of IFRS 15, in particular for the measurement of the percentage of completion of ongoing performance obligations satisfied over time.

For each ongoing performance obligation satisfied over time, in particular consulting and engineering contracts based on deliverables and remunerated on a fixed-price basis, revenue is recognised as and when services are provided, using methods based on progress evaluation inputs. According to these methods, income is recognised on the basis of the efforts already made or the inputs already used by the entity, such as hours of work or expenses incurred, compared with the estimated total for the inputs required to meet the performance obligation.

3.2.7. Measurement of expected credit losses on trade receivables and work in progress

The Group assesses the relative importance of expected credit losses on the basis of historical net losses recognised in profit or loss over a three-year period. If the historical net losses are deemed significant, the Group determines a loss rate by comparing the gross amount of receivables that have been outstanding for more than 90 days with the amounts invoiced over a 90-day period before the reporting date and applies the rate calculated in this way to the outstanding receivables on that date. As the estimates are based on historical data, it is possible that these will differ significantly from the actual losses recorded in 2019.

Average net historical losses over a 3-year period amount to K€319, which represents 0.2% of the average revenue calculated for the period being looked at.

NOTE 4. FINANCIAL RISK MANAGEMENT POLICY

The Group is exposed to credit risk, liquidity risk and market risk (including interest rate risk) with respect to the use of financial instruments. Financial risk management is handled by the Finance Department and consists of minimising the potentially unfavourable impact of these risks on the Group's performance. This note gives information on the Group's exposure to various risks as well as on how the Group addresses and manages these risks.

4.1 Credit risk

The credit risk is the Group's risk of loss if a customer or any other counterparty of a financial instrument is inadequate in the performance of its obligations. The main credit risk identified by the Group pertains to trade receivables, accrued income for work in progress and cash in financial institutions.

The Group's maximum exposure to credit risk by class of financial asset can be analysed as follows:

(in thousands of €)	31 December 2018	31 December 2017
Trade receivables	33,496	54,105
Work in progress	23,655	-
Other assets	4,727	13,608
Cash and cash equivalents	112,929	38,479
TOTAL	**174,807**	**106,192**

In addition to the credit risk exposure involved in holding financial assets, i.e. trade receivables and cash, there is the risk of default represented by accrued income for work in progress, the balance of which stand at K€23,655 as at 31 December 2018 (compared with K€22,068 as at 31 December 2017).

The Group rigorously selects its counterparties on the basis of their credit standing, measured on the basis of multiple criteria including ratings from agencies and financial ratios.

In addition to the clients' acceptance conditions, the Group's Finance Department determines the maximum payment deadlines and sets client credit limits applied by the business units.
Client credit risk is managed by the Finance Department of each Group entity. Trade receivables due are reviewed regularly at each reporting date by the business units. Each significant delayed payment is monitored and, if necessary, made the subject of an action plan.

As a simplification measure, under Group policy, receivables that have been outstanding for more than 90 days must be fully provisioned unless the Group has reliable information (time limits imposed when awarding a public procurement contract, for example) indicating that full or partial recovery is possible, in which case the provisioned amount is adjusted.

In addition to losses recognised on the basis of objective loss indicators, the Group estimates the risk of expected credit losses that should be provisioned on the basis of historical default data (see Note 3.2.7).

As at 31 December 2018, no provision was recognised for expected losses, given the non-significant nature of the historical losses expressed as a function of revenue.

The Group's Finance Department regularly reviews trade receivables on the basis of aged balances.

The Group's trade receivables classified by client category are as follows:

(in thousands of €)	31 December 2018	31 December 2017
State-owned companies	29,007	15,750
Large companies and multinationals	25,994	34,109
SMEs	4,243	5,645
TOTAL	**59,244**	**55,504**

There is no significant concentration of credit risk at Group level on the basis of trade receivables as at 31 December 2018 (reflecting the position as at 31 December 2017).

No customer accounts for more than 10% of the Group's revenue. The top 10 customers together account for 21% of the Group's revenue (compared with 19.7% in 2017).

See Note 19 for more information about credit risk exposure such as the breakdown of 'Trade and other receivables', aged balances and details of the change in allowance for doubtful receivables.

Cash, cash equivalents and short-term investments are invested with seven financial institutions having an S&P rating of AA- or higher. With respect to managing its cash surpluses, the Group adopts a cautious short-term investment policy. Given the default-risk exposure that is considered insignificant, these assets have not been subject to allowances for expected credit losses within 12 months.

4.2 Liquidity risk

The liquidity risk is the risk that the Group will not be able to meet its financial obligations.

The Board of Directors of the Parent Company is ultimately responsible for managing liquidity risk. It has established a framework for managing liquidity risk based on proposals set out by the Group's Finance Department.
The Group manages liquidity risk by maintaining adequate reserves, maintaining banking facilities, closely monitoring projected and actual cash flows and adjusting, if necessary, the maturities of financial assets and liabilities. The details of the lines of credit available to the Group to further reduce its liquidity risk are described in Note 24.3.

The Group's Finance Department has established tools for monitoring projected cash flows for each of the Group's business units, enabling it to manage the liquidity risk with full knowledge of the situation.

The tables below provide an analysis by class of maturity, according to the amount of time until the contractual maturity date and for the Group's non-derivative financial liabilities. The tables were prepared on the basis of undiscounted cash flows according to the earliest date by which the Group could be required to make a payment. These flows can differ from the carrying amounts of the assets and liabilities in question at the reporting date.

The tables include cash flows related to interest and principal. In so far as interest flows are floating rate, the undiscounted amount is obtained on the basis of market conditions prevailing on the reporting date.

As at 31 December 2018 (in line with the position as at 31 December 2017), the contractual maturities for the Group's non-derivative financial liabilities and derivative financial assets and liabilities (including interest payments) are as follows:

As at 31 December 2018

(in thousands of €)	**<1 year**	**>1 year <2 years**	**>2 years <3 years**	**>3 years <5 years**	**>5 years**	**TOTAL**
Bank borrowings						
Share capital	*(5,500)*	-	-	*(20,000)*	-	*(25,500)*
Interest	*(113)*	*(113)*	*(113)*	*(55)*	-	*(394)*
Bank overdrafts	(849)	-	-	-	-	(849)
Trade and other payables	(18,028)	-	-	-	-	(18,028)
Other liabilities	(1,967)	(82)	-	-	-	(2,049)
Commitments to purchase securities held by minority shareholders	(244)	-	-	(2,099)	-	(2,343)
Contingent consideration	(5,815)	(6,234)	(3,355)	-	-	(15,404)
TOTAL	**(32,516)**	**(6,429)**	**(3,468)**	**(22,154)**	**-**	**(64,567)**

As at 31 December 2017

(in thousands of €)	<1 year	>1 year <2 years	>2 years <3 years	>3 years <5 years	>5 years	TOTAL
Bank borrowings						
Share capital	-	*(17,000)*	-	-	-	*(17,000)*
Interest	*(104)*	*(74)*	-	-	-	*(178)*
Bank overdrafts	(876)	-	-	-	-	(876)
Trade and other payables	(17,367)	-	-	-	-	(17,367)
Other liabilities	(978)	(85)	-	-	-	(1,063)
Contingent consideration	(622)	-	-	-	-	(622)
Financial guarantee given	(6,000)	-	-	-	-	(6,000)
TOTAL	**(25,947)**	**(17,159)**	**-**	**-**	**-**	**(43,106)**

The variable rate used to estimate the interest cash flows is the three-month Euribor, plus a margin, i.e. a rate of 0.491% as at 31 December 2018 (compared with 0.614% as at 31 December 2017). The financial guarantees granted by the Group and detailed above correspond to the Group's maximum exposure. Apart from the amounts for which provisions were set aside (Note 40), management are of the opinion that, as at the reporting date, there is a low probability of such an amount being payable.

4.3 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to developments in market prices. The market risk arises from open positions in foreign currencies and interest-bearing assets and liabilities.

4.3.1. Foreign-currency risk

Exposure to exchange-rate risk arises from sales and purchases made by the Group abroad, mainly denominated in US dollars, sterling and Swiss francs, and the resulting outstandings.

With a view to managing its exposure to foreign-currency risk, the Parent Company's Board of Directors adopted limits for each currency and each maturity, pursuant to a proposal by the Finance Department.

With a view to mitigating the Group's exposure to foreign-currency risk, the Group's net foreign-currency positions classified by maturity, both real and estimated on the basis of budgets and financial forecasts, are monitored and spot or forward contracts are concluded to comply with the limits set.

The table below shows the carrying amounts of monetary assets and liabilities denominated in foreign currencies as well as the overall net position for each currency at the reporting date. Non-significant currencies at the reporting date have been grouped together.

	Assets		Liabilities		Net position	
(in thousands of €)	2018	2017	2018	2017	2018	2017
Pound sterling	28,337	38,035	(21,491)	(20,525)	6,846	17,510
US dollar	7,006	9,428	(2,953)	(6,291)	4,053	3,137
Swiss franc	19,993	15,556	(8,955)	(6,983)	11,038	8,573
Other	854	1,758	(738)	(1,348)	116	410

The table below illustrates the sensitivity of net profit or loss and equity to fluctuations against the euro of exchange rates applied to the Group's financial assets and liabilities denominated in foreign currencies and held by the Group at the reporting date, i.e. the Group's net position in the currency, with all other variables remaining constant. It assumes a fluctuation in the exchange rate in line with the historical volatility of exchange rates on the market, calculated on the basis of the previous 12 months.

(In thousands of €)	31 December 2018			31 December 2017		
Currency	**Exchange-rate changes**	**Impact on earnings**	**Impact on equity**	**Exchange-rate changes**	**Impact on earnings**	**Impact on equity**
Pound sterling	3%	99	806	6%	954	3,567
US dollar	5%	19	147	8%	31	94
Swiss franc	4%	131	1,047	6%	52	1,006

The above exchange-rate changes represent management's best estimate, bearing in mind historical volatility within one year.

4.3.2. Interest-rate risk

The Group's exposure to the risk of interest rate changes is linked to the Group's financial debt level. The Group manages this risk by maintaining an appropriate composition of fixed-rate and floating-rate borrowings and by using, where appropriate, interest-rate swaps.

The risk management policy takes account of management's anticipated rate fluctuations, historical volatility and the impact of fluctuations on the Group's profit or loss.

As at 31 December 2018 and 31 December 2017, bank borrowings contracted by the Group were reimbursed at a variable rate only. In addition, on those dates, the Group had no open swap contracts.

Despite the significant proportion of floating-rate borrowings, the Group estimates that its exposure to interest-rate fluctuations is limited, given current monetary policies.

The main borrowings are denominated in euros and held with the Company.

The sensitivity analysis for floating-rate debts was prepared in accordance with the assumption whereby debts at the reporting date presented a stable outstanding throughout the year.

If interest rates were to rise/fall by 50 basis points (corresponding to management's assessment of the reasonably possible interest-rate fluctuation) and if all other variables remained constant, the profit or loss for the year ended 31 December 2018 would fall/rise by K€86 (compared with K€85 on 31 December 2017).

4.4 Capital management

The Group manages its capital in such a way that it can ensure ongoing operations while maximising return for stakeholders by optimising the gearing ratio (net debt to equity).

The Group is not subject to any external capital requirements, apart from complying with the financial ratios imposed by the banks (see Note 24.3).

As at 31 December 2018, the financial structure ratio was as follows:

(in thousands of €)	31 December 2018	31 December 2017 (restated)
Financial debt	26,436	17,876
Cash and cash equivalents	(112,929)	(38,479)
Net debt/(net cash)	**(86,493)**	**(20,603)**
Equity	149,877	143,332
NET DEBT RATIO	**(57.71%)**	**(14.37%)**

NOTE 5. FAIR-VALUE MEASUREMENT

5.1 Fair-value hierarchy

To reflect the importance of the data used in fair-value measurements, the Group classifies these measurements according to a two-tier hierarchy:

- Level 1: (unadjusted) prices quoted on asset markets for identical assets or liabilities;
- Level 2: data other than the quoted prices targeted at level 1 that are observable for the asset or liability in question, either directly (i.e. prices) or indirectly (i.e. data derived from prices); and
- Level 3: data relating to the asset or liability which are not based on observable market data (unobservable data).

The tables below provide an analysis of assets and liabilities recognised at fair value in the balance sheet by hierarchical level.

In thousands of €	Level 1	Level 2	Level 3	Total as at 31 December 2018
Assets at fair value				
Financial assets at fair value through other comprehensive income				
Shares in SBT	330	-	-	**330**
Interests in various unlisted companies	-	-	319	**319**
TOTAL ASSETS AT FAIR VALUE	**330**	**-**	**319**	**649**

(in thousands of €)	Level 1	Level 2	Level 3	Total as at 31 December 2018
Liabilities at fair value				
Financial liabilities at fair value through profit or loss				
Contingent consideration on acquisitions	-	-	15,404	**15,404**
Commitments to purchase securities held by minority shareholders	-	-	2,343	**2,343**
TOTAL LIABILITIES AT FAIR VALUE	**-**	**-**	**17,747**	**17,747**

(in thousands of €)	**Level 1**	**Level 2**	**Level 3**	**Total as at 31 December 2017**
Assets at fair value				
Financial assets at fair value through other comprehensive income				
Shares in SBT	251	-	-	**251**
Interests in various unlisted companies	-	-	267	**267**
TOTAL ASSETS AT FAIR VALUE	**251**	**-**	**267**	**518**

(in thousands of €)	**Level 1**	**Level 2**	**Level 3**	**Total as at 31 December 2017**
Liabilities at fair value				
Financial liabilities at fair value through profit or loss				
Contingent consideration on acquisitions	-	-	622	**622**
TOTAL LIABILITIES AT FAIR VALUE	**-**	**-**	**622**	**622**

Should a fair-value level transfer be necessary, the Group would change the classification (bearing in mind the consequences in terms of measurement) on the date of the triggering event or on the date of the change of circumstances leading to the transfer.

There was no transfer between Levels 1 and 2 during the year.

5.2 Measurement techniques

5.2.1. In connection with business combinations or transactions with minority interests

Intangible assets

The fair value of software for third parties, SaaS contracts, software maintenance contracts and order books acquired in a business combination is calculated using the most appropriate method under the circumstances, including the multi-period excess earnings method, which consists of measuring the asset in question after deducting a reasonable return for the other assets generating cash flows. The valuation is a function of variables such as the rate of technological obsolescence, the customer erosion rate (or even the contract renewal rate) and the discount rate.

Contingent consideration

The fair value of the contingent consideration relating to the purchase of securities in Sword S.à r.L. (previously known as ID&O S.à r.L.) is based on revenue growth forecasts, calculated for the period from 16 February 2018 to 31 December 2020, adjusted – if applicable – to take account of the discount effect.

The fair value of the contingent consideration relating to the additional purchase of Sword Charteris Ltd securities is based on a multiple of EBITDA plus net cash for the year ended 31 December 2018. A change of more than 10% in EBITDA would mean that the debt associated with the additional purchase of Sword Charteris Ltd securities would be K€3,486 higher on 31 December 2018. A change of less than 10% in EBITDA would mean that the debt associated with the additional purchase of Sword Charteris Ltd securities would be K€3,250 lower on 31 December 2018.

The contingent consideration is classified as Level 3 of the fair-value hierarchy taking account of the use of non-observable data specific to the companies/interests acquired.

Put options over minority interests

The fair value of the Group's purchase commitments vis-à-vis minority shareholders (see Note 10.4) is based on a multiple of the EBIT of the subsidiary in question, adjusted to take account of the discount effect. The purchase commitments are included in the consolidated statement of financial position at their fair value. A change of more than 10% in EBIT would result in a K€365 increase in debts relating to purchases of minority interests on 31 December 2018.

A change of less than 10% in EBIT would result in a decrease of K€351 in debts relating to purchases of minority interests on 31 December 2018.

5.2.2. In the ordinary course of business

Financial assets at fair value through other comprehensive income

Equity instruments at Level 1 are measured at the stock-exchange rate at the reporting date. Other equity instruments belong to Level 3 and are measured on the basis of their net asset, as communicated by the management of the company in question. The Group makes adjustments if it notes, on the basis of the available information, that the net asset departs significantly from the fair value.

5.3 Reconciliation of Level 3 fair-value measurements

Financial assets at fair value through other comprehensive income

(in thousands of €)	31 December 2018	31 December 2017
Balance at beginning of the year	**267**	**299**
Acquisitions	53	16
Disposals/payments	(1)	-
Total gains and losses	-	(48)
BALANCE AT YEAR END	**319**	**267**
Total gains and losses relating to assets held at year end	-	(48)

Total gains and losses relating to assets held at year end are included in other comprehensive income under 'Financial assets at fair value through other comprehensive income - gain/(loss) related to remeasurement at fair value'. The cumulative impact is recorded in 'Reserve for remeasurement of financial assets'.

Contingent consideration/put options over minority interests

(in thousands of €)	31 December 2018	31 December 2017
Balance at beginning of the year	**622**	**-**
Acquisitions/price adjustment	17,747	622
Disposals/payments	(1,559)	-
Total gains and losses (Note 12.3)	937	-
BALANCE AT YEAR END	**17,747**	**622**
Total gains and losses relating to outstanding contingent consideration	-	-

NOTE 6. FINANCIAL ASSETS AND LIABILITIES BY ACCOUNTING CATEGORY

As at 31 December 2018

(in thousands of €)	Financial instruments at amortised cost	Financial instruments at fair value through profit or loss	Financial instruments at fair value through other comprehensive income	TOTAL
ASSETS				
Financial instruments at fair value through other comprehensive income	-	-	649	649
Other assets	1,397	-	-	1,397
Long-term investments	**1,397**	**-**	**649**	**2,046**
Trade and other receivables	33,496	-	-	33,496
Other assets	3,326	-	-	3,326
Cash and cash equivalents	112,929	-	-	112,929
Current financial assets	**149,751**	**-**	**-**	**149,751**
TOTAL FINANCIAL ASSETS	**151,149**	**-**	**649**	**151,797**
LIABILITIES				
Financial debt	20,087	-	-	20,087
Other liabilities	82	11,862	-	11,944
Non-current financial liabilities	**20,169**	**11,862**	**-**	**32,031**
Financial debt	6,349	-	-	6,349
Trade and other payables	18,028	-	-	18,028
Other liabilities	1,967	5,885	-	7,852
Current financial liabilities	**26,344**	**5,885**	**-**	**32,229**
TOTAL FINANCIAL LIABILITIES	**46,513**	**17,747**	**-**	**64,260**

As at 31 December 2017

(in thousands of €)	**Financial instruments at amortised cost**	**Financial instruments at fair value through profit or loss**	**Financial instruments at fair value through other comprehensive income**	**TOTAL**
ASSETS				
Financial instruments at fair value through other comprehensive income	-	-	518	518
Other assets	10,253	-	-	10,253
Long-term investments	**10,253**	**-**	**518**	**10,386**
Trade and other receivables	54,105	-	-	54,105
Other assets	3,357	-	-	3,357
Cash and cash equivalents	38,479	-	-	38,479
Current financial assets	**95,941**	**-**	**-**	**95,941**
TOTAL FINANCIAL ASSETS	**106,194**	**-**	**518**	**106,712**
LIABILITIES				
Financial debt	17,000	-	-	17,000
Other liabilities	85	-	-	85
Non-current financial liabilities	**17,085**	**-**	**-**	**17,085**
Financial debt	876	-	-	876
Trade and other payables	17,367	-	-	17,367
Other liabilities	978	622	-	1,600
Current financial liabilities	**19,221**	**622**	**-**	**19,843**
TOTAL FINANCIAL LIABILITIES	**36,306**	**622**	**-**	**36,928**

NOTE 7. BREAKDOWN OF REVENUE

Software segment

Breakdown by product type	31 December 2018	31 December 2017
Governance, Risk & Compliance (GRC)	13,290	12,242
Intellectual Property (IP)	6,141	5,101
Asset Finance *	1,666	2,078
Other	693	705
Total	**21,790**	**20,126**

** Excluding revenue generated by Apak Group Ltd, which is classified as a discontinued operation (see Note 14)*

IT Service segment

Breakdown by market type	31 December 2018	31 December 2017
Health, telecommunications and others	33,666	27,409
Insurance and finance	24,798	25,205
Industry	44,413	40,395
Governments/European institutions	46,745	31,289
Total	**149,622**	**124,298**

See Note 9 for a breakdown of revenue by geographic area.

NOTE 8. ASSETS AND LIABILITIES RELATING TO REVENUE RECOGNITION

The table below provides information on trade receivables, work in progress and prepaid services.

(in thousands of €)	31 December 2018	1 January 2018 (restated)	31 December 2017
Trade and other receivables (assets)	33,496	32,037	54,105
Work in progress (assets)	23,655	21,177	-
Costs of executing contracts activated following a deferral of revenue (IFRS 15) (assets) (1)	3,472	4,300	1,478
Prepaid services (liabilities)	27,578	27,844	23,968(2)

(1) Included in prepaid expenses

(2) Included in 'Other liabilities' in 31 December 2017.

IFRS 15 uses the terms 'contract assets' and 'contract liabilities' to refer to the items commonly known as 'Work in progress' and 'Deferred income'. However, this standard does not prevent an entity using other terms in its statement of financial position. To date, the Group has used the terms 'Work in progress' and 'Deferred income' to label these items in assets and liabilities. For the year ended 31 December 2018, the term 'prepaid income' was changed to 'prepaid services'. These liabilities are recorded if an interim payment exceeds recognised revenue at the reporting date.

In 2018, the Group recorded in deferred charges under 'Assets relating to the costs of executing contracts' costs related to installation and configuration services for certain software packages, whose revenues and associated costs are only recognised when the software is commissioned, regardless of whether this is marketed as licences or in SaaS mode. These assets are included in 'Prepaid expenses'.

In accordance with IFRS 15, revenue recognised before the date when it is billed to customers is recognised as 'Work in progress'. This amount was previously included in trade receivables (under the heading 'Unbilled revenue') and therefore was reclassified on 1 January 2018.

8.1 Analysis of significant changes in assets and liabilities relating to revenue recognition

The change in work in progress, costs of executing the activated contracts and prepaid services is proportional to revenue recognition.

8.2 Revenues relating to prepaid services

(in thousands of €)	31 December 2018	31 December 2017
Revenues recognised during the year and included in the opening balance of prepaid services	19,705	13,872
Revenues recognised during the year and relating to the performance obligations met in previous years[1]	-	-

The amount for prepaid services recognised in the opening balance was fully recognised in revenue.

8.3 Outstanding performance obligations

Schedule of outstanding performance obligations on long-term and fixed-price contracts

(in millions of €)	31 December 2018	31 December 2017
Less than 1 years	140	135
Between 1 and 2 years	110	101
Between 2 and 3 years	150	140
Share of revenue allocated to outstanding performance obligations at reporting date	**400**	**377**

The above schedule corresponds to the order-book schedule (also known as 'production backlog').

8.4 Assets relating to costs of executing contracts

(in thousands of €)	31 December 2018	1 January 2018 (restated)
Assets relating to costs of executing contracts (gross balance)	3,472	4,300
Depreciation and impairment losses	-	-
Net balance of assets relating to costs of executing contracts	**3,472**	**4,300**

NOTE 9. SEGMENT INFORMATION

In accordance with IFRS 8, the segment information presents operating segments roughly corresponding to industries identified on the basis of the Group's 'business' components. This segment information is based on the organisation of the Group's internal management, which leads to the preparation – in each business component – of management tools used by the Group's management.

Taking a business approach, the Group defined two operating segments, i.e. 'IT Services' and 'Software', both of which influence the Group's performance measurement and strategic approach.

Around the operating segments gravitate support functions, such as sales, finance, human resources and logistics.

A description of the segments is provided here:

[1] This may include in particular the impact of changes in estimates on the measurement of the variable considerations and of such changes on the progress of the performance obligations recognised over time.

- **IT Services (Solutions)**:
  This is a division specialising in information and content engineering systems integration and targeting regulated markets and compliance management. It bases its strategy on technical software components such as document management tools.

- **Software (or Products):**
  This division covers software for Governance Risk & Compliance (GRC), document management and major project management. It also includes applications for vehicle and equipment financing, mainly for lease companies and brokers: operations that were in large part sold in October 2018. See Notes 13.1 and 14.

9.1 Information by geographical area

The table below shows the breakdown of revenue by geographical market, excluding intra-segment revenue and information on non-current assets by geographical area:

(in thousands of €)	*Revenue from external clients* 31 December 2018	31 December 2017	*Non-current assets [*]* 31 December 2018	31 December 2017
Benelux	28,644	24,969	16,998	19,086
France	50,944	35,838	13,040	11,729
Switzerland	27,900	23,249	25,730	26,356
United Kingdom	51,179	15,441	25,156	61,139
United States	6,206	17,119	78	6
Other	6,539	27,808	516	663
TOTAL	**171,412**	**144,424**	**81,518**	**118,979**

[*] Non-current assets exclude financial instruments and deferred tax assets.

9.2 Information by segment

9.2.1. Analysis of the income statement as at 31 December 2018

(in thousands of €)	IT Services	Software	Non-allocated	Consolidated total
Revenue				
- outside the Group *(external customers)*	149,621	21,791	-	171,412
- intra-segment	-	-	-	-
Total revenue	**149,621**	**21,791**	**-**	**171,412**
Earnings before interest, taxes, depreciation and amortisation, excluding non-recurring elements (EBITDA)	**16,042**	**4,103**	**-**	**20,145**
Depreciation charges	(3,248)	(1,204)	(147)	(4,599)
Earnings before interest and taxes, excluding non-recurring elements (EBIT)	**12,794**	**2,899**	**(147)**	**15,546**
Income from disposals of assets	180	82,117	(1,142)	81,155
Impairment losses on assets	(1,011)	(2,030)	-	(3,041)
Other non-recurring items	(6,805)	(283)	(505)	(7,593)
Operating profit (OP)	**5,158**	**82,703**	**(1,794)**	**86,067**
Financial result				(1,010)
Profit or loss of associates				(1,319)
Income tax				(1,881)
Profit for the year from continuing operations				**81,857**
Non-controlling interests				326
Group share				**81,531**

9.2.2. Analysis of the income statement as at 31 December 2017 (restated)

(in thousands of €)	IT Services	Software	Non-allocated	Consolidated total
Revenue				
- outside the Group *(external customers)*	124,298	20,126	-	144,424
- intra-segment	-	-	-	-
Total revenue	**124,298**	**20,526**	**-**	**144,424**
Earnings before interest, taxes, depreciation and amortisation, excluding non-recurring elements (EBITDA)	**13,298**	**3,669**	**-**	**16,967**
Depreciation charges	(3,479)	(1,137)	(179)	(4,795)
Earnings before interest and taxes, excluding non-recurring elements(EBIT)	**9,819**	**2,532**	**(179)**	**12,172**
Income from disposals of assets	1,456	-	(1,678)	(222)
Impairment losses on assets	-	-	(1,375)	(1,375)
Other non-recurring items	(972)	(66)	(450)	(1,488)
Operating profit (OP)	**10,303**	**2,466**	**(3,682)**	**9,087**
Financial result				(1,215)
Profit or loss of associates				(192)
Income tax				(3,201)
Profit for the year from continuing operations				**4,479**
Non-controlling interests				819
Group share				**3,660**

9.2.3. Analysis of assets and liabilities as at 31 December 2018

(in thousands of €)	IT Services	Software	Non-allocated	Adjustments and eliminations	Consolidated total
Segment assets	147,841	23,274	-	-	171,115
Non-allocated assets	-	-	97,000	-	97,000
TOTAL ASSETS	**147,841**	**23,274**	**97,000**	**-**	**268,115**
Segment liabilities	80,422	9,313	-	101,796	191,531
Non-allocated liabilities	-	-	29,503	(101,796)	(72,293)
TOTAL LIABILITIES	**80,422**	**9,313**	**29,503**	**-**	**119,238**
Intangible and tangible investments made during the year	*4,192*	*3,726*	*40*	*-*	*7,958*

9.2.4. Analysis of assets and liabilities as at 31 December 2017 (restated)

(in thousands of €)	IT Services	Software	Non-allocated	Adjustments and eliminations	Consolidated total
Segment assets	120,609	70,432	-	-	191,041
Non-allocated assets	-	-	32,905	-	32,905
TOTAL ASSETS	**120,609**	**70,432**	**32,905**	**-**	**223,946**
Segment liabilities	49,940	14,392	-	117,031	181,363
Non-allocated liabilities	-	-	16,572	(117,031)	(100,459)
TOTAL LIABILITIES	**49,940**	**14,392**	**16,572**	**-**	**80,906**
Intangible and tangible investments made during the year	*2,151*	*4,904*	*3,349*	*-*	*10,404*

See Note 17.2 for allocation of goodwill to cash-generating units.

All of the assets are allocated to the segments, except assets which cannot be allocated to a CGU, which comprise mainly cash and cash equivalents held by the Company.

All of the liabilities are allocated to the segments, except liabilities which cannot be allocated to a CGU, which comprise mainly financial debt contracted by the Company for the purpose of financing the Group.

NOTE 10. GROUP INFORMATION

10.1 Scope of consolidation

Company	Main business/operating segment	Method	% controlled 31 December 2018	% controlled 31 December 2017	% interest 31 December 2018	% interest 31 December 2017
Luxembourg						
Sword Group SE	Parent company					
Sword Technologies S.A.	IT Services	IG	100%	95%	100%	95%
Sword Sol S.à r.L.	Holding company	IG	100%	100%	100%	100%
South Africa						
Sword Création Informatique Ltd	IT Services/Soft.	IG	100%	100%	100%	100%
Australia						
Active Risk Australia Pty Ltd	Software	IG	100%	100%	89%	100%
Belgium						
Sword Integra S.A.	IT Services	IG	100%	100%	100%	95%
Tipik Communication Agency S.A. (1)	IT Services	IG	49%	-	49%	-
Vadear S.A.	IT Services	IG	100%	-	49%	-
Cyprus						
Apak Beam Ltd	Software	IG	100%	100%	100%	100%
Colombia						
Sword Colombia SAS	IT Services	IG	100%	100%	100%	100%
Dubai						
Sword Middle East FZ LLC (2)	Software	IG	100%	-	100%	-
United States						
Active Risk Inc.	Software	IG	100%	100%	89%	100%
Sword Apak Inc. (3)	Software	IG	-	100%	-	87%
Sword Solutions Inc.	IT Services	IG	100%	100%	100%	100%
France						
Sword Connect SAS	IT Services	IG	68%	67%	68%	67%
Sword Insight SAS	IT Services	IG	70%	70%	70%	70%
Sword Kami SAS	IT Services	IG	68%	68%	68%	68%
Sword Orizon SAS	Software	IG	72%	72%	72%	72%
Sword Performance France SAS (4)	IT Services	IG	-	100%	-	86%
Sword S.A.	IT Services	IG	99%	100%	99%	100%
Greece						
Sword Services Greece S.A.	IT Services	IG	99%	99%	99%	94%
India						
Sword Global India Pvt Ltd	IT Services	IG	100%	100%	100%	100%
Lebanon						
Sword Lebanon SAL	IT Services	IG	97%	96%	97%	96%
Sword Middle East LLC	IT Services	IG	98%	98%	98%	98%
Morocco						
Adhoc S.à r.L. Morocco (4)	IT Services	IG	-	100%	-	100%

Company	Main business/operating segment	Method	% controlled 31 December 2018	% controlled 31 December 2017	% interest 31 December 2018	% interest 31 December 2017
United Kingdom						
AAA Group Ltd	Holding company	IG	100%	100%	100%	49%
AAA Ltd	IT Services	IG	100%	100%	100%	49%
Apak Group Ltd [(3)]	Software	IG	-	87%	-	87%
Active Risk Group Ltd	Holding company	IG	89%	100%	89%	100%
Active Risk Ltd [(5)]	Software	IG	100%	100%	89%	100%
Infinity Ltd	IT Services	IG	100%	100%	100%	49%
Minttulip Ltd	IT Services	IG	100%	100%	100%	49%
Mobile Productivity Ltd	Software	IG	100%	100%	100%	87%
Sword Achiever Ltd	Software	IG	100%	100%	89%	100%
Sword Apak Aurius Ltd [(6)]	Software	IG	-	100%	-	87%
Sword IT Solutions Ltd	IT Services	IG	100%	100%	100%	49%
Sword General Partners Ltd	Holding company	IG	100%	100%	100%	100%
Sword Charteris Ltd [(7)]	Holding company	IG	100%	49%	100%	49%
Sword Soft Ltd	Holding company	IG	100%	100%	100%	100%
Sword Technologies Solutions Ltd	IT Services	IG	100%	100%	100%	100%
Venture Information Management Ltd	IT Services	IG	100%	100%	100%	49%
Switzerland						
CBA Sourcing S.A.	IT Services	IG	51%	51%	51%	51%
Eurogenia S.A.	Holding company	IG	100%	100%	100%	100%
Sword S.à r.L. [(8)] (previously known as ID&O S.à r.L.)	IT Services	IG	100%	-	100%	-
Sword Technologies S.A. [(9)]	IT Services	IG	45%	45%	45%	45%
Swissgenia S.A.	IT Services	IG	80%	80%	80%	80%
Sword Digital S.A. [(10)]	IT Services	IG	100%	-	100%	-
Sword Performance Solutions AG [(4)]	IT Services	IG	-	86%	-	86%
Sword Performance International AG [(11)]	IT Services	IG	-	91%	-	78%
Sword Services S.A.	IT Services	IG	97%	100%	97%	100%
Sword Suisse Holding S.A.	Holding company	IG	100%	100%	100%	100%
Tunisia						
Adhoc CTS Tunisia [(4)]	Software	IG	-	95%	-	82%
Adhoc ISL Tunisia [(4)]	IT Services	IG	-	95%	-	82%

[(1)] Following an amendment to the shareholders' agreement with Tipik Group S.A. granting the Group exclusive control over Tipik under IFRS 10, Tipik has been fully consolidated since 31 December 2018. See Note 12.2.
[(2)] Operational as from 1 January 2018
[(3)] On 18 October 2018, the Group disposed of its stake in Apak Group Ltd and its subsidiary Sword Apak Inc. Given Apak's relative importance in relation to the 'Software' segment to which it belongs, this disposal was considered a discontinued operation for the purposes of IFRS 5. See Notes 1.2, 2.4.2, 13.1 and 14.
[(4)] On 10 April 2018, the Group disposed of its stake in Sword Performance Solutions AG and its subsidiaries, namely Adhoc S.à r.L. Morocco, Adhoc CTS Tunisia, Adhoc ISL Tunisia and Sword Performance France SAS. See Note 13.1.
[(5)] On 13 February 2018, Active Risk Group Ltd undertook a capital increase, partially subscribed by minority shareholders. See Notes 10.3 and 10.4.
[(6)] Liquidated and dissolved effective from 1 January 2018
[(7)] On 2 August 2018, the Group increased its stake in Sword Charteris Ltd from 49% to 100%. See Note 10.3.3.
[(8)] Effective from 16 February 2018, the Group acquired a 100% interest in ID&O S.à r.L., which was renamed 'Sword S.à r.L.'. See Note 12.1.
[(9)] The Group signed a shareholders' agreement taking effect on 1 January 2014 that gave it control over Sword Technologies S.A. (Switzerland). Consequently, the company is fully consolidated.
[(10)] Acquired on 1 June 2018
[(11)] Liquidated on 11 June 2018

10.2 Information on Group subsidiaries with significant non-controlling interests (minority interests)

The table below gives details of Group subsidiaries with significant non-controlling interests:

	Percentage of interests held via non-controlling interests		Comprehensive income for the year attributed to non-controlling interests		Accumulated non-controlling interests	
Company	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Sword Charteris Ltd (*) (**)	-	51%	-	298	-	1,382
Apak Group Ltd (*) (***)	-	13%	-	(161)	-	1,273
Tipik (*) (****)	51%	-	-	-	(1,257)	-
Other	From 1% to 55%	From 1% to 55%	363	350	1,360	1,558
Total			**363**	**487**	**103**	**4,213**

(*) The amounts presented for Sword Charteris Ltd, Apak Group Ltd and Tipik take account of all entities belonging to the respective subgroup.

(**) On 2 August 2018, the Group acquired the remaining 51% stake in Sword Charteris Ltd, thereby increasing its interest from 49% to 100%. See Notes 10.3. and 1.2.1.

(***) Disposed of on 18 October 2018. See Notes 1.2.1 and 13.1.

(****) Fully consolidated since 31 December 2018. See Notes 1.2.1, 12.2. and 11.1.

The table below shows the condensed consolidated statement of financial position prior to intra-Group eliminations for Tipik, including its subsidiary Vadear, as at 31 December 2018:

(in thousands of €)	**Tipik**
Condensed statement of financial position	
Non-current assets	1,385
Current assets	10,262
Non-current liabilities	(350)
Current liabilities	(12,554)
Net assets	**(1,257)**
Of which:	
Group share	-
Non-controlling interests	(1,257)

The condensed statement of profit or loss and other comprehensive income and the condensed statement of cash flows were omitted as the takeover of Tipik took effect on 31 December 2018 and therefore the contribution to profit or loss and cash flow for the year ended 31 December 2018 is nil.

The table below shows condensed information prior to intra-Group eliminations for Sword Charteris Ltd and Apak Group Ltd as at 31 December 2017:

(in thousands of €)	**Sword Charteris Ltd**	**Apak Group Ltd [*]**
Condensed statement of financial position		
Non-current assets	8,639	33,398
Current assets	7,690	14,986
Non-current liabilities	(772)	(48)
Current liabilities	(12,595)	(46,557)
Net assets	**2,962**	**1,779**
Of which:		
Group share	1,580	506
Non-controlling interests	1,382	1,273
Condensed statement of profit or loss and other comprehensive income		
Revenue	26,314	29,394
Profit for the year	**768**	**6,549**
Of which:		
Group share	376	6,549
Non-controlling interests	392	-
Other comprehensive income	**(184)**	**(1,271)**
Of which:		
Group share	(90)	(1,110)
Non-controlling interests	(94)	(161)
Comprehensive income for the year	**584**	**5,278**
Of which:		
Group share	286	5,439
Non-controlling interests	298	(161)
Dividends paid to non-controlling interests	-	-
Condensed cash flow statement		
Net cash inflows from operating activities	3,475	4,182
Net cash outflows from investment activities	(3,889)	(2,403)
Net cash outflows from financing activities	-	(5,707)
Net change in cash and cash equivalents	**(414)**	**(3,928)**

[*] *Including Mobile Productivity Ltd, owned in 2017 by Apak Group Ltd and transferred in 2018 to Sword Soft Ltd*

10.3 Transactions with non-controlling interests (minority interests)

10.3.1. Impact of transactions with minority interests on Group equity for the year ended 31 December 2018

(in thousands of €)	31 December 2018	31 December 2017
Changes in reserves, in terms of the Group share, due to:		
- Acquisitions/repurchases of securities in:		
Sword Technologies S.A.	(625)	(639)
Sword Charteris Ltd	(17,423)	-
Apak Group Ltd	(11,146)	(1,918)
Active Risk Group Ltd	-	(531)
Eurogenia S.A.	-	(941)
Other	(530)	(649)
- Disposal without loss of control of securities in:		
Active Risk Group Ltd	(574)	-
- Remeasurement of commitments to minority shareholders	-	-
NET IMPACT ON EQUITY – GROUP SHARE	**(30,298)**	**(4,678)**

10.3.2. Sword Technologies S.A.

In 2015, the Group disposed of 10% of its shares in Luxembourg subsidiary Sword Technologies S.A., which until then had been held in full by two managers of the subsidiary, at a price of K€745, calculated based on revenue growth. The amount was financed by a loan granted by the Group to these senior executives, falling due at the end of March 2018 and bearing interest of 2% per annum. In 2017 and 2018, the Group repurchased 10% of the shares from the minority shareholders for a total price of K€2,224, calculated on the same basis as the subscription price.

10.3.3. Sword Charteris Ltd

On 2 August 2018, the Group increased its stake in Sword Charteris Ltd from 49% to 100%, paying a basic price of K€3,766, calculated based on a multiple applied to EBITDA. The purchase agreement envisages an earn out, calculated and payable at annual intervals between 31 December 2018 and 31 December 2021. As at 31 December 2018, the earn out was calculated to be K€14,968.

10.3.4. Apak

An employee stock ownership plan for managers at Apak had been implemented by Sword Soft Ltd, a Group subsidiary. Under the plan, minority shareholders can obtain financing from Sword Soft Ltd, allowing them to pay up the subscribed capital and reimburse Sword Soft Ltd within four years. This financing gave rise to receivables from the minority shareholders. These receivables had an interest rate of 3%. The price of subscribed shares was calculated based on a multiple applied to EBIT. In addition, Sword Soft Ltd had undertaken to buy back the shares acquired by minority shareholders if they requested this.

The redemption price is calculated on the same basis as the subscription price. During the year and prior to the disposal of Apak, the Group repurchased the 13% of capital held by the minority shareholders for a price of K€10,677.

10.3.5. Active Risk Group Ltd

An employee stock ownership plan for managers at Active Risk Group Ltd had been implemented by Sword Soft Ltd, a Group subsidiary. Under the plan, minority shareholders can obtain financing from Sword Soft Ltd, allowing them to pay up the subscribed capital and reimburse Sword Soft Ltd within 5 years. This financing gave rise to receivables from the minority shareholders amounting to K€1,508 as at 31 December 2018. These receivables have an interest rate of 3%. The price of subscribed shares is calculated based on a multiple applied to EBIT. In addition, Sword Soft Ltd undertook to buy back the shares acquired by minority shareholders if they request this. The redemption price is calculated on the same basis as the subscription price. During the year, minority shareholders holding 11.31% of capital subscribed to a total of K€1,517.

10.4 Commitments to purchase minority interests

Commitments to purchase equity securities granted to non-controlling interests are as follows as at 31 December 2018:

(in thousands of €)	**% held by minority shareholders**	**Minority interests included in the buyback plan**	**Measurement method**	**Fair value of commitments (current debts)**	**Fair value of commitments (non-current debts)**
Active Risk Group Ltd	89%	11%	EBIT multiple	244	2,099

For the method used to measure the fair value of commitments, see Note 5.2.

NOTE 11. ASSOCIATES

11.1 Changes during the year

(in thousands of €)	**31 December 2018**	**31 December 2017**
Balance at beginning of the year	**2,852**	**2,644**
Acquisition and obtaining of a significant influence (1)	415	400
Disposal and loss of significant influence (2)	(1,083)	-
Share of profit or loss for the year	(1,319)	(192)
Dividends paid	-	-
BALANCE AT YEAR END	**865**	**2,852**

(1) Effective from 30 April 2018, the Group increased its stake in Plefsys IT PC from 18% to 38%, paying K€415 for the privilege. See Note 11.3.

(2) Following an amendment to the shareholders' agreement with Tipik Group S.A. granting the Group exclusive control over Tipik under IFRS 10, Tipik has been fully consolidated since 31 December 2018. See Note 12.2. The stake was derecognised at fair value. The fair value was calculated based on an estimate of the discounted cash flow.

11.2 Information on associates

Company	Place of incorporation and main site	Main business/ operating segment	% interest 2018	2017
Tipik Communication Agency S.A.	Belgium	IT Services	-	49%
Plefsys IT PC	Greece	IT Services	38%	18%
Cowork Engineering	France	IT Services	24%	24%

The table below shows summarised information about the associates (after any adjustments by the Group to ensure compliance with the Group's accounting principles by virtue of applying the equity method):

(in thousands of €)	Tipik 2018	Tipik 2017	Other 2018	Other 2017
Non-current assets	-	3,476	1	1
Current assets	-	9,151	597	407
Non-current liabilities	-	-	-	-
Current liabilities	-	(12,147)	(159)	(189)
Net assets	**-**	**480**	**439**	**219**
Revenue	-	16,783	100	706
Profit for the year	**-**	**(379)**	**187**	**106**
Other comprehensive income	**-**	**-**	**-**	**-**
Dividends received from the associates during the year	-	-	-	-

11.3 Commitments to associates' shareholders

The Group pledged to increase its stake in Plefsys on 1 May 2019 by 26% in exchange for a payment of K€400, along with an additional payment calculated based on the revenue generated by the collaboration between the Group and Plefsys and limited to K€300. The price was determined on the basis of discounted cash flows. In addition, the Group pledged to increase its stake by 6% on 1 May 2020, provided that Plefsys met certain conditions.

NOTE 12. BUSINESS COMBINATIONS AND ACQUISITIONS

12.1 Acquisitions in 2018

12.1.1. Description

ID&O S.à r.L., renamed 'Sword S.à r.L.'
Effective from 16 February 2018, the Group acquired the whole of ID&O S.à r.L., a company incorporated in Switzerland, for a sum of K€2,761, excluding earn outs. ID&O S.à r.L. is a Swiss consulting and IT services company based in Geneva. The objective was to allow the Group to expand its client base and to contribute to its growth while controlling its fixed costs.

Sword Digital
On 1 June 2018, the Group acquired all the shares in Sword Digital for a total of CHF 3. Since the amounts associated with that acquisition were not significant at Group level, therefor the information to be provided under IFRS 3 has not been presented.

12.1.2. Consideration transferred

(in thousands of €)	**ID&O S.à r.L.**
Consideration settled in cash	**2,824**
Less:	
Balance of cash and cash equivalents Acquired	1,070
NET CASH OUTFLOW	**1,754**

The purchase agreement envisages an earn out based on the change in revenue. The earn out classified as 'contingent consideration liability' is calculated for the period from 16 February 2018 to 31 December 2020. The fair value of this liability is K€436 as at 31 December 2018 and takes into account the discounting of estimated cash flows.

12.1.3. Assets acquired and liabilities recognised on the acquisition date

(in thousands of €)	**ID&O S.à r.L.**
Non-current assets	
Financial assets	10
Deferred tax assets	31
Other non-current assets	
Current assets	
Trade and other receivables	328
Other assets	66
Cash and cash equivalents	1,070
Current liabilities	
Trade and other payables	(489)
IDENTIFIABLE NET ASSETS ACQUIRED	**1,016**

12.1.4. Goodwill arising from the acquisition

(in thousands of €)	**ID&O S.à r.L.**
Consideration transferred	2,824
Plus:	
Earn out (estimated on acquisition)	423
Less:	
Fair value of identifiable net assets acquired	1,016
GOODWILL ARISING FROM THE ACQUISITION	**2,231**

The goodwill on the acquisition of this company is related mainly to growth forecasts, expected future profitability and cost reductions implemented upon the acquisition, and to medium-term synergies arising from the support provided to this company by the Group. Goodwill should not be deductible for tax purposes.

12.1.5. Impact of acquisitions on the Group's profit or loss

If this business combination had been in place as at 1 January 2018, the revenue and profit or loss for the period of the acquired entity would have been presented as follows:

(in thousands of €)	**ID&O S.à r.L.**
Revenue	2,302
Profit or loss	91

For the period from their acquisition date until 31 December 2018, the acquired companies contributed to the Group's revenue and profit or loss in the following proportions:

(in thousands of €)	**ID&OSs.à r.L.**
Revenue	1,970
Profit or loss	(22)

12.2 Other operations leading to a takeover in 2018

12.2.1. Description

Effective from 31 December 2018, the Group signed a shareholders' agreement giving it control over Tipik Communication Agency S.A. (Tipik), a company under Belgian law specialising in digital communication, and its subsidiary Vadear S.A. The amounts presented for Tipik include Vadear S.A., an investment wholly held by Tipik. See Note 1.2.1. This amendment gives rise to the Group's takeover of Tipik, justified by the Group's ability to financially support Tipik and to create synergies by offering its expertise.

12.2.2. Consideration transferred

(in thousands of €)	**Tipik**
Consideration settled in cash	**-**
Less:	
Balance of cash and cash equivalents acquired	4,888
NET CASH INFLOW	**(4,888)**

12.2.3. Assets acquired and liabilities recognised on the date of acquiring control

(in thousands of €)	**Tipik**
Non-current assets	
Intangible assets	1
Property, plant and equipment	159
Financial assets	17
Current assets	
Trade and other receivables	4,563
Other assets	811
Cash and cash equivalents	4,888
Non-current liabilities	
Provisions	(350)
Current liabilities	
Financial debt	(5,500)
Trade and other payables	(1,830)
Current tax	(70)
Other liabilities	(5,154)
IDENTIFIABLE NET ASSETS	**(2,465)**

At the time of the takeover, the Group recognised K€1,257 for the non-controlling interests at the date of takeover, measured using the partial goodwill method.

12.2.4. Goodwill arising from acquiring control

(in thousands of €)	**Tipik**

Consideration transferred	-
Plus:	
Non-controlling interests (minority interests)	(1,257)
Less:	
Fair value of identifiable net assets acquired	(2,465)
GOODWILL ARISING FROM ACQUIRING CONTROL	**1,208**

The goodwill from this takeover operation is mainly related to the synergies and cost savings the takeover should lead to, more specifically taking into account Tipik's realignment in digital communication and market developments requiring streamlining of the offer.

Goodwill should not be deductible for tax purposes.

12.2.5. Impact of the takeover on the Group's profit or loss

If this business combination had been in place as at 1 January 2018, the revenue and profit or loss for the period of the acquired entity would have been presented as follows:

(in thousands of €)	**Tipik**
Revenue	13,958
Profit or loss	(2,693)

As the Group has consolidated Tipik effective from 31 December 2018, Tipik did not contribute to the Group's revenue and profit or loss in 2018.

12.3 Acquisitions in 2017

12.3.1. Description

Venture Information Management Ltd
Effective from 1 October 2017, the Group forked out k€2,210 to acquire, through Sword Charteris Ltd, a Group subsidiary, the whole of Venture Information Management Ltd ("VIM"). VIM is a British company specialising in IT services for the oil and gas exploration and production industry. This combination aimed to enable the Group to expand its client base and to grow by developing its business without additional short-term fixed costs, thereby boosting its profit margin.

Minttulip Ltd
On 1 September 2017, the Group also acquired, through Sword Charteris Ltd, the whole of Minttulip Ltd, a company incorporated in the UK – an acquisition involving an outlay of K€1,788. Minttulip Ltd is a Microsoft partner specialising in cloud services. This combination has allowed the Group to extend its geographical reach, to expand its range of services and to grow by developing its activities without additional short-term fixed costs, thereby boosting its profit margin.

12.3.2. Consideration transferred

(in thousands of €)	**Minttulip Ltd**	**Venture Information Management Ltd**	**TOTAL**
Consideration settled in cash	1,740	1,588	3,328
Less:			
Balance of cash and cash equivalents Acquired	114	45	159
NET CASH OUTFLOW	**1,626**	**1,543**	**3,169**

The Venture Information Management Ltd purchase agreement envisages an earn out corresponding to three times the difference between Venture Information Management Ltd's EBITDA for 2018 and its EBITDA for 2017. The earn out qualifying as a 'contingent consideration liability' was made in the first half of 2018. The fair value of this liability was K€622 as at 31 December 2017, taking into consideration discounting of estimated cash flows.

In 2018, the fair value of the earn out was adjusted by K€937 to take into account the difference between the price paid, based on the final accounting position of Venture Information Management Ltd as at 31 March 2018, and the fair value of this liability as estimated on the acquisition date. See Note 33.

12.3.3. Assets acquired and liabilities recognised on the acquisition date

(in thousands of €)	**Minttulip Ltd**	**Venture Information Management Ltd**	**TOTAL**
Non-current assets			
Property, plant and equipment	-	35	35
Deferred tax assets	-	161	161
Current assets			
Trade and other receivables	378	1,166	1,544
Other assets	121	65	186
Cash and cash equivalents	114	45	159
Current liabilities			
Trade and other payables	(347)	(630)	(977)
Other liabilities	(115)	(311)	(426)
IDENTIFIABLE NET ASSETS ACQUIRED	**151**	**531**	**682**

The initial recognition of the acquisitions of Minttulip Ltd and Venture Information Management Ltd was provisionally calculated at the end of the year ended 31 December 2017. When the 2017 consolidated financial statements were completed, it was impossible to accurately determine the value of certain intangible assets. As a result, these intangible assets could not be recognised separately from goodwill, entailing an increase in the value allocated to goodwill. In 2018, these assets were recognised retrospectively, with a corresponding adjustment of goodwill. The comparative data have been restated accordingly (see Note 2.3).

12.3.4. Goodwill arising from the acquisition

(in thousands of €)	**Minttulip Ltd**	**Venture Information Management Ltd**	**TOTAL**
Consideration transferred	1,788	2,210	3,998
Less:			
Fair value of identifiable net assets acquired	151	531	682
GOODWILL ARISING FROM THE ACQUISITION	**1,637**	**1,679**	**3,316**

The goodwill on the acquisition of these two companies is related mainly to growth forecasts, expected future profitability and cost reductions implemented upon the acquisition and to medium-term synergies arising from the support provided to these companies by the Group. Goodwill should not be deductible for tax purposes.

12.3.5. Impact of acquisitions on the Group's profit or loss

If these business combinations had been in place as at 1 January 2017, the acquired entities' contribution to revenue and profit or loss for the year would be presented as follows:

(in thousands of €)	Minttulip Ltd	Venture Information Management Ltd	TOTAL
Revenue	2,195	4,697	6,892
Profit or loss	(30)	148	118

For the period from their acquisition date until 31 December 2017, the acquired companies contributed to the Group's revenue and profit or loss in the following proportions:

(in thousands of €)	Minttulip Ltd	Venture Information Management Ltd	TOTAL
Revenue	751	1,543	**2,294**
Profit or loss	88	98	**186**

NOTE 13. DISPOSALS

13.1 Disposals in 2018

Apak Group Ltd
With a view to refocusing its business activities, the Group decided to dispose of its stake in Apak Group Ltd, a company incorporated in the UK, and its subsidiary Sword Apak Inc. for a total price of K€129,182. The deconsolidation took effect on 18 October 2018. See Note 14.

Sword Performance Solutions AG
On 10 April 2018, the Group disposed of its stake in Sword Performance Solutions AG, a subsidiary based in German-speaking Switzerland specialising in the implementation of APM solutions, for a total price of K€5,663. This sale covered Adhoc S.à r.L. Morocco, Adhoc CTS Tunisia, Adhoc ISL Tunisia and Sword Performance France SAS.

13.1.1. Consideration received

(in thousands of €)	Apak Group Ltd	Sword Performance Solutions AG	TOTAL
Consideration received in cash and cash equivalents	127,682	5,663	133,345
Consideration receivable	1,500	-	1,500
TOTAL CONSIDERATION	**129,182**	**5,663**	**134,845**

13.1.2. Analysis of assets and liabilities over which control was lost

(in thousands of €)	Apak Group Ltd	Sword Performance Solutions AG	TOTAL
Non-current assets			
Goodwill	21,124	2,949	24,073
Other intangible assets	3,727	-	3,727
Property, plant and equipment	4,070	34	4,104
Financial assets	-	33	33
Deferred tax assets	503	4	507
Current assets			
Trade and other receivables	7,171	1,677	8,848
Other assets	6,081	388	6,469
Cash and cash equivalents	11,447	1,587	13,034
Current liabilities			
Trade and other payables	(2,269)	(1,086)	(3,355)
Current tax liability	(322)	(18)	(340)
Other liabilities	(10,284)	(311)	(10,595)
NET ASSETS DISPOSED OF	**41,248**	**5,242**	**46,490**

13.1.3. Profit/(loss) generated on disposal

(in thousands of €)	Apak Group Ltd	Sword Performance Solutions AG	TOTAL
Total consideration	**129,182**	**5,663**	**133,345**
Less: Net assets disposed of	41,248	5,242	46,490
PROFIT GENERATED ON DISPOSAL	**87,934**	**421**	**86,855**

13.1.4. Net cash outflow on disposal

(in thousands of €)	Apak Group Ltd	Sword Performance Solutions AG	TOTAL
Consideration received in cash and cash equivalents	127,682	5,663	133,345
Less:			
Balance of cash and cash equivalents disposed of	11,447	1,587	13,034
NET CASH OUTFLOW	**116,235**	**4,076**	**120,311**

13.2 Disposals in 2017

In May 2017, the Group established the subsidiary SCI Decan. On 20 July 2017, SCI Decan bought the building at 6 rue Claude Chappe, 69370 Saint Didier au Mont d'Or in France for a price of K€3,500, financed entirely by a loan. On 18 December 2017, the Group disposed of its subsidiary for K€1, corresponding to that company's share capital. See Note 39.3.

NOTE 14. CONTRIBUTION OF DISCONTINUED OPERATIONS

Effective from 18 October 2018, given its policy of refocusing its activities exclusively on data management, the Group sold its subsidiary Apak Group Ltd and Apak Inc. ("Apak"), a provider of software solutions in financing assets.

As Apak's contribution to profit or loss and cash flows is presented in a single line, the tables below provide a breakdown of the components of this contribution.

14.1 Profit from discontinued operation

(in thousands of €)	**2018**	**2017**(*)
Revenue	20,039	29,065
EBITDA	6,409	10,842
EBIT	5,563	9,928
Operating profit	5,319	7,894
Financial result	(139)	331
Profit before tax	5,180	8,225
Income tax	(632)	(1,759)
Profit for the year from discontinued operation	**4,548**	**6,466**

(*) *Excludes Mobile Productivity Ltd, a company owned in 2017 by Apak and transferred in 2018 to Sword Soft Ltd*

14.2 Net cash flows from/(used by) the discontinued operation

(In thousands of €)	**2018**	**2017**
Net cash inflows from operating activities	2,786	3,197
Net cash outflows from investment activities	(3,386)	(2,414)
Net cash outflows from financing activities	(3,427)	(4,924)
Net change in cash and cash equivalents	**(4,027)**	**(4,141)**

(*) *Excludes Mobile Productivity Ltd, a company owned in 2017 by Apak and transferred in 2018 to Sword Soft Ltd*

14.3 Impact of the sale on the Group's financial position

See Notes 13.1 and 31.

NOTE 15. PROPERTY, PLANT AND EQUIPMENT

(in thousands of €)	**Land and buildings**	**Facilities, developments and fixtures**	**Transport equipment**	**Office and IT equipment**	**Office furniture**	**TOTAL**
GROSS AMOUNT						
As at 31 December 2016	**478**	**2,906**	**249**	**12,034**	**6,377**	**22,044**
Acquisitions	-	3,620	2	1,703	293	5,618
Acquisitions via business combinations	25	-	-	263	76	364
Disposals	(83)	(76)	(2)	(774)	(883)	(1,818)
Deconsolidations	-	(3,333)	-	(37)	-	(3,370)
Translation difference	(16)	(113)	(21)	(521)	(243)	(914)
Other movements	-	-	-	(215)	8	(207)
As at 31 December 2017	**404**	**3,004**	**228**	**12,453**	**5,628**	**21,717**
Acquisitions		221	253	1,911	280	2,665

Acquisitions via business combinations	-	588	39	816	279	1,722
Disposals	-	(627)	(301)	(2,638)	(759)	(4,325)
Deconsolidations	-	(48)	-	(4,115)	(3,654)	(7,817)
Translation difference	(4)	26	10	99	48	179
AS AT 31 DECEMBER 2018	**400**	**3,164**	**229**	**8,526**	**1,822**	**14,141**
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES						
As at 31 December 2016	**(373)**	**(1,871)**	**(173)**	**(9,394)**	**(2,716)**	**(14,527)**
Depreciation charges	(45)	(231)	(40)	(1,241)	(407)	(1,964)
Scope changes	(25)	-	-	(249)	(49)	(323)
Reversals of impairment losses	83	59	-	769	654	1,565
Translation difference	13	79	16	384	109	601
Other movements	-	-	-	215	(7)	208
As at 31 December 2017	**(347)**	**(1,964)**	**(197)**	**(9,516)**	**(2,416)**	**(14,440)**
Depreciation charges	(44)	(214)	(23)	(1,528)	(359)	(2,168)
Scope changes	-	(468)	(20)	1,932	705	2,149
Reversals of impairment losses	-	588	189	2,627	738	4,142
Translation difference	2	(16)	(3)	(68)	(19)	(104)
AS AT 31 DECEMBER 2018	**(389)**	**(2,074)**	**(54)**	**(6,553)**	**(1,351)**	**(10,421)**
NET AMOUNT						
As at 31 December 2017	**57**	**1,040**	**31**	**2,937**	**3,212**	**7,277**
AS AT 31 DECEMBER 2018	**11**	**1,090**	**175**	**1,973**	**471**	**3,720**

As at 31 December 2018, no guarantees had been issued regarding property, plant and equipment (the same had been the case in 2017).

NOTE 16. OTHER INTANGIBLE ASSETS

(in thousands of €)	Software	Software contracts	Non-competition clause	Other intangible assets	TOTAL
GROSS AMOUNT					
As at 31 December 2016	**10,298**	**4,488**	**1,113**	**7,469**	**23,368**
Inflows of assets generated internally	4,556	-	-	-	4,556
Acquisitions	-	-	-	233	233
Disposals	(507)	-	-	(117)	(624)
Translation difference	(310)	(173)	-	(40)	(523)
As at 31 December 2017	**14,037**	**4,315**	**1,113**	**7,545**	**27,010**
Inflows of assets generated internally	4,387	-	-	-	4,387
Acquisitions	-	597	-	309	906
Acquisitions via business combinations	-	-	-	3,080	3,080
Disposals	(1,842)	-	-	(43)	(1,885)
Deconsolidations	(3,773)	-	-	(1)	(3,774)
Translation difference	23	(19)	-	-	4
AS AT 31 DECEMBER 2018	**12,832**	**4,893**	**1,113**	**10,890**	**29,728**
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES					
As at 31 December 2016	**(4,641)**	**(3,092)**	**-**	**(4,785)**	**(12,518)**
Depreciation charges	(1,178)	(746)	-	(1,469)	**(3,393)**
Scope changes	507	-	-	115	**622**
Translation difference	61	132	-	4	**197**
As at 31 December 2017	**(5,251)**	**(3,706)**	**-**	**(6,135)**	**(15,092)**
Depreciation charges	(1,304)	(1,208)	-	(1,152)	(3,664)
Scope changes	(89)	-	-	(3,076)	(3,165)
Recognised impairment losses	(974)	-	-	(52)	(1,026)
Translation difference	10	21	-	-	31
AS AT 31 DECEMBER 2018	**(7,608)**	**(4,893)**	**-**	**(11,014)**	**(22,917)**
NET AMOUNT					
As at 31 December 2017	**8,786**	**609**	**1,113**	**1,410**	**11,918**
AS AT 31 DECEMBER 2018	**5,224**	**-**	**1,113**	**475**	**6,812**

'Software contracts' comprise SaaS contracts and software maintenance contracts.

The Tipik contract of sale concluded by the Group on 10 March 2014 was accompanied by a non-competition clause. Under this, the Group undertook to refrain from competing with Tipik in the European Union.

Since then, bearing in mind the new growth prospects in the public sector and its desire to bolster its presence in this segment, the Group has reassessed its strategy and sought to be able to once again compete with Tipik in dealings with European Union bodies.

On 11 September 2014, the Group concluded an agreement under which, in return for payment of €6 million, in addition to cancelling the restraint of trade agreement, the Group got Tipik to discontinue, in its favour, providing certain services relating to two contracts for which a Group subsidiary and Tipik were both candidates.
The amount paid was divided in the books between an order book valued at K€4,918 for services to be provided over a period of 4 years starting in September 2014 and the cancellation of the non-competition clause for the balance.

The other intangible assets comprise mainly services to be provided under contracts in the 'IT Services' segment, also known as the 'production backlog'.

Impairment testing for the non-competition clause
As at the reporting date, the Group compared the net carrying amount of CGU 3 – IT Services, to which the amount for buying out the non-competition clause worth K€1,113 was allocated, including the carrying amount of that clause, and its recoverable amount, which was determined on the basis of its value in use.

Since the recoverable amount of CGU 3 exceeded its net carrying amount, no impairment loss was recognised. See Note 17 for key assumptions used to calculate value in use.

NOTE 17. GOODWILL

17.1 Changes in goodwill

(in thousands of €)	**31 December 2018**	**31 December 2017 (restated)**
GROSS AMOUNT		
Balance at beginning of the year	**110,870**	**111,253**
Additional amounts recognised following business combinations arising during the year	3,465	3,025
Disposals	(24,071)	-
Translation difference	936	(3,408)
Balance at year end	**91,200**	**110,870**
ACCUMULATED IMPAIRMENT LOSSES		
Balance at beginning of the year	25,000	25,000
Recognised during the year	-	-
Translation difference	-	-
Balance at year end	**25,000**	**25,000**
GOODWILL, NET CARRYING AMOUNT	**66,200**	**85,870**

17.2 Allocation of goodwill by cash-generating units (CGUs)

(in thousands of €)	**31 December 2018**	**31 December 2017 (restated)**
CGU 1 – Software	8,894	29,920
CGU 3 – IT Services (Solutions)	57,306	55,950
TOTAL	**66,200**	**85,870**

17.3 Goodwill impairment testing

In 2018, without modifying the valuation methods used in the previous year, the Group re-examined the value of the goodwill associated with its cash-generating units (CGUs) by comparing the recoverable amount of the CGUs with their net carrying amount, including goodwill. In accordance with IAS 36, only the value in use in respect of the recoverable amount was selected.

The recoverable amounts of CGU 1 and CGU 3 were respectively K€68,818 (compared with K€157,899 in 2017) and K€238,412 (compared with K€142,724 in 2017).

17.3.1. Key assumptions

The forecast cash flows used by the Group to estimate value in use came from the 2019 budget and from an extrapolation for 2020 and subsequent years. Based on the 2018 budget, the Group's revenue rise by approximately 12.5% (12.5% on a like-for-like basis).

The key assumptions adopted in the valuation model used by the Group are (i) medium-term growth in revenue, (ii) an operating margin corresponding to the EBIT/revenue ratio, (iii) the infinite growth rate used to calculate the final value, and (iv) the discount rate.

	CGU 1 – Software		CGU 3 – Solutions	
	2018	**2017**	**2018**	**2017**
Medium-term revenue growth	10%	10%	10%	10%
Operating margin	20%	21%	9%	8%
Infinite growth rate	2%	2%	2%	2%
Discount rate after tax (*)	7.14%	7.67%	7.29%	8.25%

(*) The pre-tax discount rates for 2018 were 8.84% (compared with 9.46% in 2017) and 8.98% (compared with 10.25% in 2017) for CGU 1 and CGU 3 respectively.

The values attributed to medium-term revenue growth and to the operating margin were determined with due diligence and are consistent with the Group's historical and budgetary data. The forecasts were made taking account of the order book, development costs related to the improvement of software solutions, changes in scope and the product mix and the change in exchange rates. The discount rates used for annual impairment tests were the weighted average cost of capital (WACC) rates specific to each CGU.

17.3.2. Sensitivity of recoverable amounts

The Group's management is of the opinion that no reasonably possible change in key assumptions on which the recoverable amount of each CGU is based would cause the carrying amount allocated to them to exceed their recoverable amount.

NOTE 18. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

18.1 Balance as at the reporting date

(in thousands of €)	31 December 2018	31 December 2017
Interest in SBT	330	251
Interests in various unlisted companies	319	267
TOTAL	**649**	**518**

18.2 Changes during the year

(in thousands of €)	31 December 2018	31 December 2017
Balance at beginning of the year	**518**	**518**
Acquisitions	53	26
Disposals	(2)	-
Changes in fair value	80	22
Translation differences	-	(48)
BALANCE AT YEAR END	**649**	**518**

NOTE 19. TRADE AND OTHER RECEIVABLES

(in thousands of €)	31 December 2018	31 December 2017
Trade receivables	35,589	33,437
Allowance for doubtful receivables	(2,093)	(1,400)
Trade receivables, net	**33,496**	**32,037**
Unbilled revenue	-	22,068
TOTAL	**33,496**	**54,105**

Due to their short-term maturity, the carrying amount of trade and other receivables is close to the fair value.

Aged balance

(in thousands of €)	0-3 months	3-6 months	6-12 months	>1 year	Total
As at 31 December 2018	22,244	1,820	860	3	24,927
As at 31 December 2017	19,814	781	243	-	20,838

The trade receivables presented above comprise amounts due at the reporting date and for which the Group has not created an allowance for doubtful accounts, since it has no information on the solvency status of the relevant receivables and since these amounts are still considered recoverable.

Change in value adjustments for doubtful receivables

(in thousands of €)	31 December 2018	31 December 2017
Balance at beginning of the year	**(1,400)**	**(1,329)**
Impairment losses recognised during the year	(1,389)	(1,001)
Impairment losses subject to a reversal	854	899
Scope change	(148)	-
Translation difference	(10)	31
BALANCE AT YEAR END	**(2,093)**	**(1,400)**

Aged balance of impaired receivables

(in thousands of €)	0-3 months	3-6 months	6-12 months	>1 year	Total
As at 31 December 2018	266	450	487	890	2,093
As at 31 December 2017	145	226	750	279	1,400

NOTE 20. OTHER ASSETS

(in thousands of €)	31 December 2018	31 December 2017
Deposits and guarantees	859	856
Consideration receivable on the capital increase in Apak	-	7,410
Consideration receivable on the capital increase in Active Risk (Note 10)	1,131	-
Other non-current receivables	541	1,990
Total other non-current assets, gross amount	**2,531**	**10,256**
Provisions for other non-current assets	(3)	(3)
TOTAL OTHER NON-CURRENT ASSETS, NET AMOUNT	**2,528**	**10,253**
Tax and social security receivables	4,066	1,886
Consideration receivable on the capital increase in Apak	-	1,616
Consideration receivable on the capital increase in Active Risk (Note 10)	377	-
Consideration receivable on the disposal of Apak (see Note 13.1)	1,500	-
Consideration receivable on the disposal of Tipik	446	446
Consideration receivable on the disposal of financial assets at fair value through other comprehensive income	-	272
Other current receivables	1,381	1,023
Prepaid expenses	-	3,971
Total other current assets, gross amount	**7,770**	**9,214**
Provisions for other current assets	-	(5)
TOTAL OTHER CURRENT ASSETS, NET AMOUNT	**7,770**	**9,209**

The fair value of 'other non-current assets' was determined on the basis of cash flows discounted at the Group's borrowing cost. The fair value of all financial assets making up this section is K€2,245 (compared with K€8,505 as at 31 December 2017) and is classified as Level 2 in the fair-value hierarchy. The net carrying amount of the financial assets included in 'other current assets' is a reasonable approximation of their fair value due to their short-term maturity.

NOTE 21. CASH AND CASH EQUIVALENTS

(in thousands of €)	31 December 2018	31 December 2017
Cash and cash equivalents	112,929	38,479
TOTAL	**112,929**	**38,479**

For the purposes of the consolidated cash flow statement, cash and cash equivalents comprise the following:

(in thousands of €)	31 December 2018	31 December 2017
Cash and cash equivalents	112,929	38,479
Bank overdrafts (*)	(849)	(876)
TOTAL	**112,080**	**37,603**

(*) *Included in current financial debt*

NOTE 22. RETIREMENT PLANS

At the year end, the provisions for employee benefits consisted solely of provisions for post-employment benefits totalling K€1,079 (compared with K€1,015 in 2017). Post-employment benefits fall under defined-contribution retirement plans and defined-benefit retirement plans.

22.1 Defined-benefit retirement plans

This type of plan aims to award certain Group employees, under certain conditions, retirement benefits when they exercise their right to retire. Employees who benefit from this type of plan are mainly employed by the Group's French subsidiaries. There were 417 of them in total as at 31 December 2018 (compared with 380 as at 31 December 2017).

In France, the amount of and conditions for granting such benefits are governed by a national collective agreement in the industry in which the Group is operating (SYNTEC agreement).

The retirement obligations were not subject to external coverage.

Retirement obligations and similar benefits are valued internally under the supervision of the Group's Finance Department.

Items relating to post-employment benefits in comprehensive income can be analysed as follows:

(in thousands of €)	31 December 2018	31 December 2017
Cost of services rendered during the year	(102)	(120)
Financial cost	(25)	(30)
Other	-	(13)
Items recognised in profit or loss for the year	**(127)**	**(163)**
TOTAL	**(127)**	**(163)**

The cost of services rendered during the year are recognised in staff expenses in the income statement. The financial costs are recognised in the financial result.

22.2 Actuarial assumptions

The obligations were measured internally on the basis of assumptions updated regularly and reviewed annually. The following assumptions were adopted:

	31 December 2018	31 December 2017
Discount rate (*)	1.62%	1.36%
Adjustment rate for annual salaries	1.50%	1.50%
Social security contribution rate	45%	45%
Retirement age	65-67 years old	65-67 years old
Staff rotation	(**)	(**)
Mortality table	INSEE 2017	INSEE 2017

(*) *The discount rate is based on the IBOX AA 10+.*
(**) *Variable depending on geographical area*

The average duration of the obligation in respect of services as at 31 December 2018 is less than one year (the same as in 2017).

22.3 Change in the present value of obligations

(in thousands of €)	31 December 2018	31 December 2017
Balance at beginning of the year	**1,015**	**852**
Cost of services rendered during the year	102	120
Financial cost	25	30
Scope changes	(13)	-
Other changes	(50)	13
BALANCE AT YEAR END	**1,079**	**1,015**

Since the amounts provided are not significant at Group level, other disclosures under IAS 19 were omitted, specifically a sensitivity analysis showing the impact of changes made to certain actuarial assumptions on the value of retirement-benefit commitments.

NOTE 23. OTHER PROVISIONS

(in thousands of €)	Litigation risks	Other	TOTAL
Balance as at 1 January 2018	**857**	**63**	**920**
Charges for provisions	3,355	1,651	5,006
Write-backs on used provisions	(314)	(81)	(395)
Business combination	350	-	350
Translation differences	(26)	-	(26)
Other movements	-	(12)	(12)
BALANCE AS AT 31 DECEMBER 2018	**4,222**	**1,621**	**5,843**
Current	1,928	893	**2,821**
Non-current	2,294	728	**3,022**

Provision charges/write-backs on provisions for litigation risks are included in 'Other non-recurring items' in the consolidated income statement.

NOTE 24. FINANCIAL DEBT

24.1 Breakdown of financial debts by type

(in thousands of €)	31 December 2018	31 December 2017
Bank borrowings	20,000	17,000
Other borrowings and advances	87	-
Non-current financial debt	**20,087**	**17,000**
Bank borrowings	5,500	**-**
Bank overdrafts	849	876
Current financial debt	**6,349**	**876**
TOTAL FINANCIAL DEBT	**26,436**	**17,876**

Bank borrowings are floating-rate borrowings. Their net carrying amount is a reasonable approximation of their fair value due to the fact that the fair value of the borrowings is determined on the basis of cash flows discounted at the Group's borrowing rate at the reporting date. The fair value of bank borrowings is classified as falling within Level 2 of the fair-value hierarchy.

24.2 Maturities

(in thousands of €)	31 December 2018	31 December 2017
Less than one year	6,349	876
Between one and five years [(*)]	20,087	17,000
More than five years	-	-
TOTAL	**26,436**	**17,876**

[(*)] *Classification at more than one year takes account of existing credit refinancing options negotiated for the Group.*

24.3 Available lines of credit

(in thousands of €)	31 December 2018	31 December 2017
Authorised amount	**135,500**	**125,000**
Less than one year	5,500	-
Between one and five years	130,000	125,000
More than five years	-	-
Amount drawn down	**25,500**	**17,000**
Less than one year	5,500	-
Between one and five years	20,000	17,000
More than five years	-	-
Available amount	**110,000**	**108,000**
Less than one year	-	-
Between one and five years	110,000	108,000
More than five years	-	-

The Group's banking arrangements require compliance with financial ratios: a 'net consolidated financial debt/consolidated EBITDA' ratio of less than 3 or 3.5 depending on the contracts, and a 'net consolidated financial debt/consolidated equity' ratio of less than 1.

Should the Company fail to comply with the financial ratios, the lending banks will be entitled to demand the early reimbursement of K€20,000 in outstanding lines of credit as at 31 December 2018 (compared with K€17,000 as at 31 December 2017).

As at 31 December 2018, the Company complied with the financial ratios (as it had as at 31 December 2017).

24.4 Change in financial debt

(in thousands of €)	Bank overdrafts	Bank borrowings	Total
Balance as at 31 December 2016	**738**	**13,500**	**14,238**
Cash flows from financing activities	138	7,070	7,208
Disposals of subsidiaries	-	(3,567)	(3,567)
Other movements	-	(4)	(4)
Balance as at 31 December 2017	**876**	**17,000**	**3,638**
Cash flows from financing activities	(27)	3,087	3,060
Business combination	-	5,500	5,500
Balance as at 31 December 2018	**849**	**25,587**	**26,436**

NOTE 25. TRADE AND OTHER PAYABLES

(in thousands of €)	31 December 2018	31 December 2017
Suppliers	6,167	3,144
Accrued invoices	11,365	13,660
Other	496	563
TOTAL	**18,028**	**17,367**

NOTE 26. DERIVATIVE FINANCIAL INSTRUMENTS

As part of the acquisition of AAA Group Ltd in 2015, buyback options for 791 shares issued by Sword Charteris Ltd, representing 31% of its capital and held by individuals holding executive management positions in AAA Ltd, were granted to Sword Soft Ltd. These buyback options could be exercised at any time in a period commencing on 31 December 2019 and ending on 1 December 2025 provided that certain return targets (expressed in percentage of revenue and EBIDTA growth) were not met. The exercise price (GBP 2,077 per share) was the price paid by the holders of these shares. In 2017, given the prospects for Sword Charteris Ltd and the conditions for exercising the options, these options had no value. During the year 2018, the options were cancelled following the purchase of additional shares issued by Sword Charteris Ltd. See Note 10.3.

NOTE 27. OTHER LIABILITIES

(in thousands of €)	31 December 2018	31 December 2017
Deposits and guarantees	22	-
Contingent consideration on the acquisition of minority interests in Sword Charteris Ltd (see Note 10.3)	9,588	-
Commitments to purchase securities held by minority shareholders (see Note 10.4)	2,099	-
Contingent consideration related to the acquisition of ID&O S.à r.L., renamed 'Sword S.à r.L.' (see Note 12.1)	174	-
Other	60	85
TOTAL OTHER NON-CURRENT LIABILITIES	**11,944**	**85**
Value-added tax and other taxes	9,087	7,394
Social security and other social bodies	9,636	6,974
Deferred income	-	23,968
Commitments to purchase securities held by minority shareholders (see Note 10.4)	244	-
Deferred consideration on the acquisition of minority interests in Sword Charteris Ltd (see Note 10.3)	1,883	-
Contingent consideration on the acquisition of minority interests in Sword Charteris Ltd (see Note 10.3)	5,379	-
Contingent consideration related to the acquisition of ID&O S.à r.L., renamed 'Sword S.à r.L.' (see Note 12.1)	262	-
Contingent consideration on the acquisition of Venture Information Management Ltd (see Note 12.3)	-	622
Other	84	978
TOTAL OTHER CURRENT LIABILITIES	**26,575**	**39,936**

NOTE 28. TAXES

28.1 Breakdown of tax expense

(in thousands of €)	31 December 2018	31 December 2017 (restated)
Tax on profit recognised in the profit for the year		
Current tax	2,277	3,480
Deferred tax	(396)	(279)
TOTAL	**1,881**	**3,201**

28.2 Reconciliation between theoretical and actual tax

(in thousands of €)	31 December 2018	31 December 2017 (restated)
Profit before tax	83,738	7,680
Average tax rate in force in Luxembourg	31.47%	31.47%
Effective tax burden	**26,352**	**2,417**
Impact:		
- Expenses not deductible in determining taxable profit	378	460
- Revenue exempt from taxation	(1,186)	(701)
- Permanent differences	(3,523)	264
- Differences in tax rate on profit of foreign subsidiaries	(481)	(116)
- Gain on disposal	(23,246)	-
- Use of previously non-capitalised tax losses	(143)	(661)
- Non-capitalised tax on losses	2,915	708
- Tax credit	(47)	11
- Other	862	819
Effective tax burden	**1,881**	**3,201**
EFFECTIVE TAX RATE	**2.25%**	**41.68%**

28.3 Breakdown of deferred tax assets and liabilities by type

(in thousands of €)	Balance at beginning of the year	Recognised in profit or loss	Recognised in other comprehensive income	Scope change	Balance at the reporting date
Deferred tax assets/(liabilities)					
Intangible assets	(1,471)	567	-	(75)	(979)
Deferred income	343	96	(10)	-	429
Provisions	322	271	-	(253)	340
	(806)	**934**	**(10)**	**(328)**	**(210)**
Tax losses	795	(285)	-	115	625
DEFERRED TAX ASSETS/(LIABILITIES)	**(11)**	**649**	**(10)**	**(213)**	**415**

28.4 Balance of deferred tax assets and liabilities

(in thousands of €)	31 December 2018	31 December 2017
Deferred tax assets	1,650	1,438
Deferred tax liabilities	(1,235)	(1,449)
NET DEFERRED TAXES	**415**	**(11)**

Recognised deferred tax assets arise from tax losses carried forward mainly relating to the acquisitions of British companies AAA Group Ltd and Venture Information Management Ltd in 2015 and 2017 respectively. The recognition of deferred tax assets is justified by the synergy operations implemented following these acquisitions and aimed at improving the profit of the companies affected.

28.5 Unrecognised tax deficits

At the reporting date, the Group had, in various tax jurisdictions, tax losses of around K€29,431 (compared with K€23,819 in 2017) that are available to offset the future taxable profits of companies in which the tax losses arose, and for which no deferred tax asset was recognised due to the uncertainty of it being recovered.

These unrecognised tax losses expire as follows:

(in thousands of €)	**31 December 2018**	**31 December 2017**
No expiry	22,874	21,394
2018	-	212
2022 – 2024	673	377
2025	1,041	563
2034	1,611	1,114
2035	3,232	159
TOTAL	**29,431**	**23,819**

NOTE 29. PERSONNEL EXPENSES

(in thousands of €)	**31 December 2018**	**31 December 2017 (restated)**
Gross compensation	64,347	56,898
Social security charges	13,464	12,048
Other	978	1,037
TOTAL	**78,789**	**69,983**

The Group's average head count is:

Average head count	**31 December 2018**	**31 December 2017 (restated)**
Billable workforce	1,040	951
Non-billable workforce	169	166
TOTAL	**1,209**	**1,117**

Employee benefits for which provisions have been made as at the reporting date are presented in Note 22.

NOTE 30. PROVISION CHARGES AND REVERSALS

(in thousands of €)	**31 December 2018**	**31 December 2017 (restated)**
Provision charges for retirement benefits	128	162
Charges for other provisions	628	126
Reversals on other provisions	(217)	(67)
Allowances for doubtful accounts	1,389	1,001
Reversals on allowances for doubtful accounts	(859)	(899)
TOTAL	**1,069**	**323**

NOTE 31. INCOME FROM DISPOSALS OF ASSETS AND SUBSIDIARIES

(in thousands of €)	31 December 2018	31 December 2017 (restated)
Disposal costs	(6,404)	(349)
Income from the disposal of consolidated securities	87,615	136
Income from the disposal of property, plant and equipment	(56)	(9)
TOTAL	**81,155**	**(222)**

NOTE 32. IMPAIRMENT LOSS ON ASSETS

(in thousands of €)	31 December 2018	31 December 2017 (restated)
Impairment loss on the disposal of shares in Kenzan	-	1,375
Impairment loss on intangible assets [*]	3,041	-
TOTAL	**3,041**	**1,375**

[*] *Related to research and development of products that have become obsolete*

NOTE 33. OTHER NON-RECURRING ITEMS

(in thousands of €)	31 December 2018	31 December 2017 (restated)
Litigation costs	(2,566)	(367)
Restructuring costs	-	(349)
Acquisition costs	(764)	(669)
Changes in fair value of the earn out related to the acquisition of Venture Information Management Ltd (Note 12.3)	(937)	-
Other expenses [(1)]	(3,326)	(492)
Other income	-	389
TOTAL	**(7,593)**	**(1,488)**

[(1)] *The litigation is commercial and social.*

[(2)] *Other expenses are principally made up of K€2,352 for leases for vacant offices and K€503 for redundancy costs.*

NOTE 34. FINANCIAL RESULT

(in thousands of €)	31 December 2018	31 December 2017
Gains on disposals of marketable securities and income from marketable securities	10	-
Interest on term deposits	189	140
Income from cash and cash equivalents	**199**	**140**
Interest expense on borrowings and financial debt	(385)	(416)
NET FINANCIAL DEBT COST	**(186)**	**(276)**
Foreign-exchange gain	529	642
Foreign-exchange loss	(917)	(1,387)
Financial charges on non-consolidated securities and receivables (Note 39.2.1)	(302)	(62)
Other financial expenses	(134)	(132)
NET FINANCIAL RESULT	**(1,010)**	**(1,215)**

NOTE 35. EARNINGS PER SHARE

(in thousands of € and units of account)	**31 December 2018**	**31 December 2017**
Profit for the year attributable to the Company's owners		
- Continuing operations	81,531	3,660
- Discontinued operations	4,548	6,466
	86,079	**10,126**
Weighted average number of ordinary shares in circulation	9,532,927	9,538,080
Impact of dilutive instruments	-	-
Diluted weighted average number of shares	9,532,927	9,538,080
Earnings per share		
Base net earnings per share	9.03	1.06
Diluted net earnings per share	9.03	1.06
Earnings per share – continuing operations		
Base net earnings per share	8.55	0.38
Diluted net earnings per share	8.55	0.38
Earnings per share – discontinued operations		
Base net earnings per share	0.48	0.68
Diluted net earnings per share	0.48	0.68

NOTE 36. SHARE CAPITAL

As at 31 December 2018, the share capital stand at K€9,545 (the same as at 31 December 2017) represented by 9,544,965 shares (the same as at 31 December 2017) with a par value of €1 each, fully paid up.

NOTE 37. TREASURY SHARES

As at 31 December 2018, the Group held 17,302 treasury shares (compared with 10,671 treasury shares as at 31 December 2017).

NOTE 38. DIVIDENDS

The Ordinary General Meeting held on 27 April 2018 approved a dividend of €1.20 per share in 2018 for the allocation of the 2017 results, giving rise to a total payout of K€11,442 during the year ended 31 December 2018.

The Board of Directors' meeting held on 25 October 2018 decided to allocate to the shareholders a special dividend of €3.60 per share, giving rise to a total payout of K€34,316 following the sale of Apak.

NOTE 39. RELATED PARTY TRANSACTIONS

39.1 Compensation for members of the Board of Directors and management

(in thousands of €)	31 December 2018	31 December 2017
Short-term benefits:		
- Gross (excluding benefits in kind)	1,291	1,142
- Employer contributions	316	259
- Benefits in kind	110	64
Directors' fees	108	108
TOTAL	**1,825**	**1,573**

Such remuneration pertained to 14 members of the Board of Directors and management (the same as in 2017).

39.2 Associates

39.2.1. Tipik

(in thousands of €)	31 December 2018	31 December 2017
Revenue realised with Tipik	3,642	1,416
Purchases from Tipik	(1,701)	(581)
TOTAL	**1,941**	**835**

Until December 2017, the Group agreed to write off several receivables from Tipik worth a total of K€6,125subject to a clawback provision. In 2018, a K€302 receivable from Tipik was written off under the same conditions.

Until 30 December 2018, under a shareholders' agreement with Tipik Group S.A. (formerly Alamos S.A.), Tipik was under Tipik Group S.A.'s exclusive control, and therefore the Group recognised the stake in Tipik according to the equity method. Following an amendment to the shareholders' agreement granting the Group exclusive control, the latter has fully consolidated Tipik since 31 December 2018.

Before control of Tipik Group S.A. was acquired, the receivable from Tipik Group S.A. amounted to K€446.

39.2.2. Plefsys IT PC

On 1 May 2017, the Group signed a three-year renewable service contract with Plefsys IT PC for the purposes of commercial prospecting and managing calls for tenders (see Note 11). The value of services came to K€100 in 2018 (it was also K€100 in 2017).

39.3 Other

Financière Sémaphore, which holds a 17.9% interest in the Group, provides the following services:

(in thousands of €)	31 December 2018	31 December 2017
Management fees	362	370
Fees related to disposals	500	150
TOTAL	**862**	**520**

During the year ended 31 December 2018, a company controlled by a Company director supplied the Group companies with accounting and administrative services totalling K€340 (down from K€375 as at 31 December 2017).

Loans of K€1,136 (compared with K€1,426 as at 31 December 2017) were granted to members of the Group's management to finance the acquisition of minority interests in certain Group subsidiaries. They are reimbursed at a rate of between 2% and 3% per annum and mature during the period from 2019 to 2022.

As from 1 January 2018, a subsidiary of the Group has occupied the offices at 6 rue Claude Chappe, 69370 Saint Didier au Mont d'Or made available to the Group by SCI Decan, a company controlled by Financière Sémaphore, in exchange for a lease of €266,000 per annum. The lease was set on the basis of market prices. This lease will expire on 31 December 2028.

Ruitor S.à r.L., a company controlled by Financière Sémaphore, provided the Group with offices in Luxembourg for a rent of K€162 (compared with K€163 in 2017).

On 21 December 2018, the Group signed a one-year renewable services contract with a company controlled by Financière Sémaphore and called Le Connecteur, in order to help the Group search for investment targets. The amount of services come to K€160 in 2018.

NOTE 40. OFF-BALANCE SHEET COMMITMENTS

(In thousands of €)	31 December 2018	31 December 2017
Operating leases	**19,182**	**20,730**
Less than one year	4,407	4,362
Between one and five years	10,641	12,017
More than five years	4,134	4,351
Sureties for third parties	**36**	**6,036**
Less than one year	-	€6,000
Between one and five years	36	36
More than five years	-	-
Other guarantees issued (1)	**585**	**373**
Less than one year	85	72
Between one and five years	500	229
More than five years	-	72
TOTAL	**19,803**	**27,139**

(1) *Including performance guarantees*

NOTE 41. CONTINGENT LIABILITIES

As at 31 December 2018, there was no significant risk of contingent liabilities.

NOTE 42. AUDITORS' FEES

The table below details the amount of auditors' fees for 2018 and 2017:

(in thousands of €)	31 December 2018	31 December 2017
Auditors & certification (separate & consolidated)	748	796
Legal, tax and management consulting	18	25
Other	6	-
TOTAL	**772**	**821**

NOTE 43. SUBSEQUENT EVENTS

Acquisition of Magique Galileo Software Ltd

Effective from 3 January 2019, the Group acquired 100% of Magique Galileo Software Limited, a company incorporated in the UK – an acquisition involving an amount of KGBP 2,000 (equivalent to K€2,218), excluding earn outs. Magique Galileo Software is a company specialising in GRC solutions for the banking and insurance sector, so this transaction allows the Group to expand its product range and increase its presence in the sector.

The new company resulting from the merger between Sword Active Risk and Magique Galileo Software Limited will be called Sword GRC and will be based in Maidenhead, in the premises currently occupied by Sword Active Risk.

The cash flows generated by the acquisition are as follows:

(in thousands of €)	Magique Galileo Software Limited
Consideration settled in cash	1,997
Less:	
Balance of cash and cash equivalents Acquired	500
NET CASH OUTFLOW	**1,497**

The purchase agreement plans an earn out corresponding to the adjusted EBITDA multiple, obtained for 2019, from which KGBP 2,000 is deducted. Calculated in this way, the earn out is limited to KGBP 3,000.

The assets acquired and liabilities recognised on the acquisition date are as follows:

(in thousands of €)	**Magique Galileo Software Limited**
Non-current assets	
Property, plant and equipment	23
Current assets	
Trade and other receivables	219
Other assets	79
Cash and cash equivalents	500
Non-current liabilities	
Deferred tax liability	(51)
Other liabilities	(4)
Current liabilities	
Trade and other payables	(10)
Current tax	(48)
Other liabilities	(520)
IDENTIFIABLE NET ASSETS ACQUIRED	**188**

Initial recognition of the acquisition of Magique Galileo Software Limited has been provisionally established, pending the final purchase price allocation.

Establishment of a subsidiary in Canada
In February 2019, the Group established Sword Corporation, a Canada-based subsidiary worth KCAD 264.

NOTE 44. RESTATED SUMMARY TABLES

Restatement of the consolidated statement of financial position

(in thousands of €)	**1 January 2018 restated**	**Impact IFRS 15**	**31 December 2017 restated**	**Finalisation of the purchase price allocation**	**31 December 2017 Published**
ASSETS					
NON-CURRENT ASSETS					
Goodwill	86,162	-	85,870	(292)	86,162
Other intangible assets	11,918	-	11,918	-	11,918
Property, plant and equipment	7,277	-	7,277	-	7,277
Investments in associates	2,852	-	2,852	-	2,852
Financial assets at fair value through other comprehensive income	518	-	518	-	518
Deferred tax assets	1,817	379	1,438	-	1,438
Other assets	10,253	-	10,253	-	10,253
TOTAL NON-CURRENT ASSETS	120,797	379	120,126	(292)	120,418
CURRENT ASSETS					
Trade and other receivables	32,037	(22,068)	54,105	-	54,105
Work in progress	21,177	21,177	-	-	-
Current tax assets	2,026	-	2,026	-	2,026
Other assets	5,238	(3,971)	9,209	-	9,209
Cash and cash equivalents	38,479	-	38,479	-	38,479
Prepaid expenses	6,793	6,793	-	-	-
TOTAL CURRENT ASSETS	105,750	1,931	103,819	-	103,819
TOTAL ASSETS	**226,547**	**2,310**	**223,945**	**(292)**	**224,237**

See Notes 2.2 and 2.4 for more details.

(in thousands of €)	**1 January 2018 restated**	**Impact IFRS 15**	**31 December 2017 restated**	**Finalisation of the purchase price allocation**	**31 December 2017 published**
EQUITY AND LIABILITIES					
EQUITY					
Share capital	9,545	-	9,545	-	9,545
Share premium	70,676	-	70,676	-	70,676
Reserves	230	-	230	-	230
Retained earnings	57,260	(1,408)	58,375	(292)	58,668
TOTAL EQUITY – GROUP SHARE	137,711	(1,408)	138,826	(292)	139,119
Non-controlling interests (minority interests)	4,054	(159)	4,213	-	4,213
TOTAL EQUITY	**141,765**	**(1,567)**	**143,039**	**(292)**	**143,332**
NON-CURRENT LIABILITIES					
Financial debt	17,000	-	17,000	-	17,000
Provisions for employee benefits	1,015		1,015	-	1,015
Other provisions	688	-	688	-	688
Deferred tax liabilities	1,449	-	1,449	-	1,449
Other liabilities	85	-	85	-	85
TOTAL NON-CURRENT LIABILITIES	20,237	-	20,237	-	20,237
CURRENT LIABILITIES					
Financial debt	876	-	876	-	876
Other provisions	232	-	232	-	232
Trade and other payables	17,367	-	17,367	-	17,367
Current tax liabilities	2,258	-	2,258	-	2,258
Other liabilities	15,968	(23,968)	39,936	-	39,936
Prepaid services	27,844	27,844	-	-	-
TOTAL CURRENT LIABILITIES	64,545	3,876	60,669	-	60,669
TOTAL LIABILITIES	**84,782**	**3,876**	**80,906**	**-**	**80,906**
TOTAL EQUITY AND LIABILITIES	**226,547**	**2,309**	**223,945**	**(292)**	**224,238**

See Notes 2.2 and 2.4 for more details.

Restatement of the consolidated income statement

(in thousands of €)	**31 December 2017 restated**	**Impact IFRS 5**	**Finalisation of the purchase price allocation**	**31 December 2017 published**
Continuing operations				
Revenue	**144,424**	**(29,065)**	**-**	**173,489**
Purchases	(2,840)	4,126	-	(6,966)
Personnel expenses	(69,983)	9,321	-	(79,304)
Other external charges	(53,807)	4,571	-	(58,378)
Provision (charges)/write-backs on provisions	(323)	-	-	(323)
Other current operating expenses	(1,378)	205	-	(1,583)
Other current operating income	874	-	-	874
EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTISATION, EXCLUDING NON-RECURRING ELEMENTS (EBITDA)	**16,967**	**(10,842)**	**-**	**27,809**
EBITDA in %	**11.75%**		**-**	**16.03%**
Charges for depreciation of property, plant and equipment	(1,965)	-	-	(1,965)
Charges for depreciation of intangible assets arising from business combinations	(2,327)	-	(350)	(1,976)
Charges for depreciation of other intangible assets	(503)	914	-	(1,417)
EARNINGS BEFORE INTEREST AND TAXES, EXCLUDING NON-RECURRING ELEMENTS (EBIT)	**12,172**	**(9,928)**	**(350)**	**22,451**
EBIT in %	**8.43%**			**12.94%**
Income from disposals of assets	(222)	223	-	(445)
Impairment loss on assets	(1,375)	1,534	-	(2,909)
Other non-recurring items	(1,488)	278	-	(1,766)
OPERATING PROFIT (OP)	**9,087**	**(7,893)**	**(350)**	**17,331**
OP in %	**6.29%**			**9.99%**
Financial income	783	(375)	-	1,158
Finance costs	(1,998)	42	-	(2,040)
FINANCIAL RESULT	**(1,215)**	**(333)**	**(350)**	**(882)**
Share of profit or loss of associates	(192)	-	-	(192)
PROFIT BEFORE TAX	**7,680**	**(8,226)**	**(350)**	**16,257**
Income tax	(3,201)	1,760	58	(5,019)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	**4,479**	**(6,466)**	**292**	**11,238**
Discontinued operations				
Profit from discontinued operations, net of tax	6,466	6,466	-	-
PROFIT FOR THE YEAR	**10,945**	**-**	**292**	**11,238**

See Note 2.4 for more details.

17 CONTACTS

EUROPE		
FRANCE		
9 Avenue Charles de Gaulle 69771 St Didier au Mont d'Or Tel. +33 4 72 85 37 40	37 Rue de Lyon 75012 Paris Tel. +33 1 44 67 24 00	8 Rue Jouanet 35700 Rennes Tel. +33 2 99 84 50 50
SWITZERLAND		
Avenue des Baumettes, 19 CH-1020 Renens/Lausanne Tel. +41 21 632 90 00	Business Park Terre Bonne Building A1 - 1st floor Route de Crassier, 7 1262 Eysins Tel. +41 22 879 96 30	Avenue Cardinal Mermillod, 36 CH-1227 Carouge Geneva Tel. +41 22 420 17 28
IRELAND	**BELGIUM**	**LUXEMBOURG**
Unit 2a Ballybrit Business Park Galway Tel. +353 91 70 6000	270 Avenue de Tervueren BE-1150 Brussels Tel. +32 2 235 10 00	2 Rue d'Arlon LU-8399 Windhof LUXEMBOURG Tel. +352 26 11 26 11
UNITED KINGDOM		
1 Grenfell Road Maidenhead Berks., SL6 1HN Tel. +44 1628 582 500	Clarence House 133 George Street Edinburgh, EH2 4JS Tel. +44 207 600 9199	1000 Great West Road Brentford Middlesex TW8 9DW Tel. +44 20 8232 2555 1 Mill Court Mill Lane, Newbury RG14 5RE Tel. +44 1635 47647
AMERICA & OCEANIA		
UNITED STATES		
	13221 Woodland Park Road Suite 440 Herndon VA 20171 Tel. +1 703 673 9580	30 Broad Street 14th Floor New York NY 10004 Tel. +1 646 480 4874
COLOMBIA		
	Carrera 16, N°93 A16 AP 504 of 504 Bogotá D.C.	

CANADA	AUSTRALIA	NEW ZEALAND
10th Floor Bankers Hall West Tower 888 - 3rd South West Calgary T2P 5C5 Tel. +1 403 444 5983	40/140 William Street Melbourne VIC 3000 Tel. +61 3 9229 3850	205 Victoria Street Wellington

AFRICA

SOUTH AFRICA
Waterfall Crescent North Waterfall Park Vorna Valley Midrand

ASIA

LEBANON	UNITED ARAB EMIRATES	CHINA
Berytech Technology & Health Rue de Damas Beirut Tel. +961 1 612 500	119-120 Building 13 Dubai Internet City PO Box 500406 Dubai Tel. +971 4367 0375	6A 6F Yeung Yiu Chung 2 Fung Yip Street Chai Wan Hong Kong Tel. +852 2519 9082

INDIA
Arihant Epark, 10th floor No. 117/1 Lattice Bridge Road Dr Muthulakshmi Salai, Adyar Chennai 600 020 Tel. +91 44 66 36 36 36